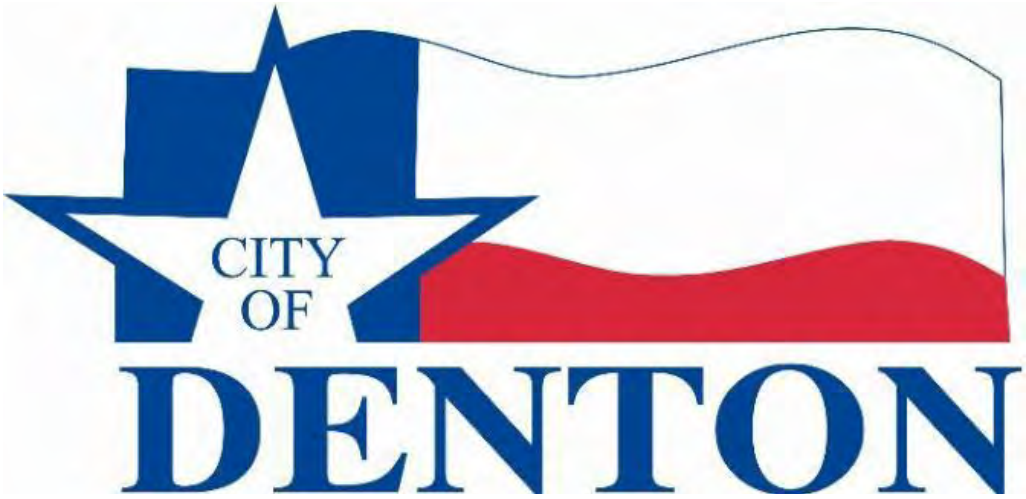
Fiscal Year Ending Sept. 30, 2018

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF **DENTON**, TEXAS



VISION

"Destination Denton"

Denton is an identifiable and memorable destination and a community of opportunities. We achieve this by providing high quality of life through excellence in education, entertainment, and employment; neighborhood vitality and sustainability; environmental and financial stewardship; and superior public facilities and services.

MISSION

"Dedicated to Quality Service"

The City of Denton will foster an environment that will deliver extraordinary quality service and products through stakeholder, peer group, and citizen collaboration; leadership and innovation; and sustainable and efficient use of resources.

VALUES

"We Care"

We care about our people, our community, and our work. We do this with integrity, respect, and fairness.

CORE VALUES

INTEGRITY

Making sure that with every decision we make, our actions match our values.

FISCAL RESPONSIBILITY

Ensuring that people can trust that we use public funds conscientiously, with the community's best interest in mind.

TRANSPARENCY

Building an environment of trust by interacting with others honestly as well as collecting and sharing clear and concise information.

OUTSTANDING CUSTOMER SERVICE

Employing a holistic approach to problem-solving and providing responsive service that goes above and beyond expectations.

CITY OF DENTON, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended September 30, 2018

CITY MANAGER

Todd Hileman

DEPUTY CITY MANAGER
AND CHIEF OPERATING OFFICER

Bryan Langley

Prepared by:

Antonio Puente, Jr.
Chief Financial Officer

David Gaines
Assistant Director of Finance

Harvey Jarvis
Controller

Brian Hogan, CPA
Assistant Controller

Cody Wood
Assistant Controller

Mary Dickinson
Electric Business Manager

Ed Lane, CPA
Senior Accountant

Kurt Breyfogle
Senior Accountant

Catherine Bai, CPA
Senior Accountant

Cindy Liang, CPA
Senior Accountant

Katy Magee, CPA
Accountant

Jenny Wang, CPA
Accountant

Lori Allen
Accountant

Nancy Towle
Budget Manager

Kevin Ann Mullen, CPA
Treasury Manager

City of Denton, Texas
Comprehensive Annual Financial Report
For Year Ended September 30, 2018

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Comprehensive Annual Financial Report
For Year Ended September 30, 2018

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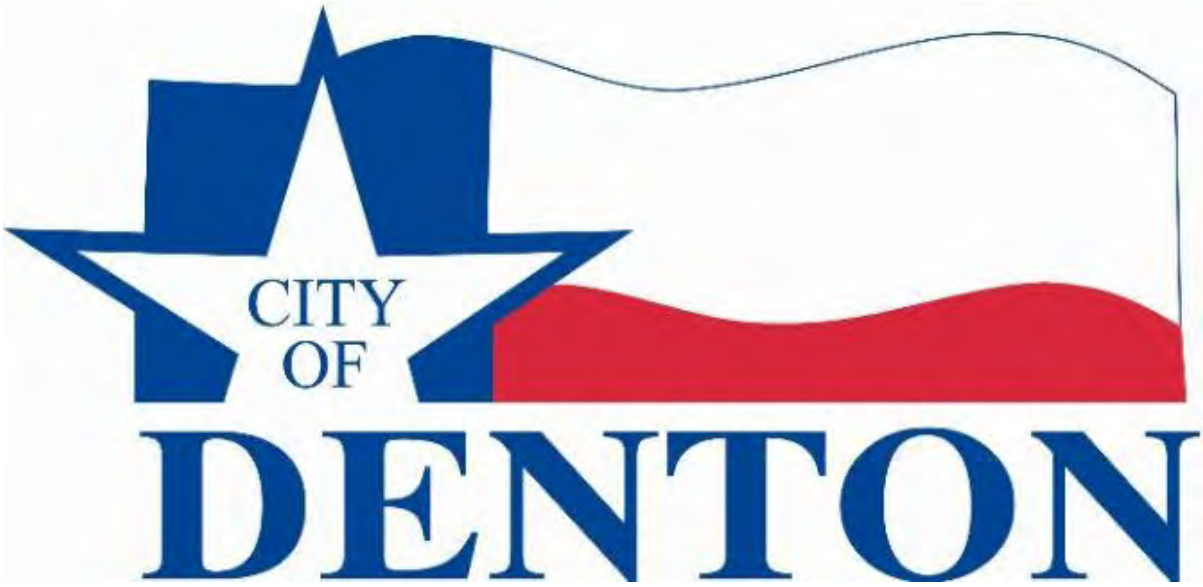

CITY
OF
DENTON

Finance Department
215 E. McKinney St., Denton, TX 76201 • (940) 349-8531

February 28, 2019

The Honorable Mayor and Members of the City Council
City of Denton
Denton, Texas

It is with great pleasure that we present to you a copy of the Comprehensive Annual Financial Report (CAFR) of the City of Denton (the City) for the fiscal year ended September 30, 2018. The purpose of the report is to provide the City Council, management, citizens, and other interested parties with detailed information concerning the City's financial condition.

THE REPORT

The Texas Local Government Code (§ 103.001) requires an annual audit for municipalities. In addition, the City Charter (Section 2.13) requires a Certified Public Accountant who, as of the end of the fiscal year, shall make an "independent audit of accounts" and prepare a report to the City Council and the City Manager. This document fulfills the above-mentioned requirements, and the independent auditor's opinion is included in the report for the fiscal year ended September 30, 2018.

The CAFR is presented in three main sections: Introductory, Financial, and Statistical. The Introductory Section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The Financial Section includes the Management's Discussion and Analysis (MD&A), Basic Financial Statements, Required Supplementary Information, Combining and Individual Fund Financial Statements, along with the independent auditors' report. The Statistical Section and Other Supplementary Information include selected financial and demographic information, generally presented on a multi-year basis.

The responsibility for both the accuracy of the presented information and the completeness and fairness of the presentation of the data, including all disclosures, rests with the City, and is based upon a comprehensive framework of internal control established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance the financial statements are free of any material misstatements. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present the results of our operations in each of the various funds reported by the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The accounting firm of Pattillo, Brown & Hill L.L.P. has issued an unmodified opinion on the City of Denton's financial statements for the period ended September 30, 2018. As a recipient of federal and state grant awards, a separate audit is prepared to meet the requirements of the Single Audit Act Amendments of 1996 and related Uniform Guidance. As a part of the City's single audit, tests are conducted to determine that the City has complied with applicable laws and regulations related to federal awards.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

Originally incorporated on September 26, 1866, the City of Denton is now 98.818 square miles and has an estimated population of 127,093. The City is a home rule city and operates under the Council-Manager form of government. The elected seven-member council consists of a Mayor and six Council Members. The Mayor and two Council Members are elected at large, while the remaining representatives are elected from single member

districts. The City Council enacts local laws, determines policy, and adopts the annual budget, and the City Manager is the chief executive officer for the City.

The City of Denton is in the northern portion of the Dallas/Fort Worth Consolidated Metropolitan Statistical Area (CMSA). The City is a part of the Dallas/Fort Worth Metroplex and is situated at the apex of a triangle based by Dallas (37 miles to the southeast) and Fort Worth (35 miles to the southwest) providing excellent access to and from all parts of the area.

The City provides a full range of general government services to its citizens including: public safety (police and fire protection); public works (construction and maintenance of highways, streets and infrastructure); parks and recreation; library; planning and zoning; economic development; and general administrative services. The City's enterprise fund operations consist of a utility system, solid waste, and airport operations. The City's utility system provides electric, water and wastewater services.

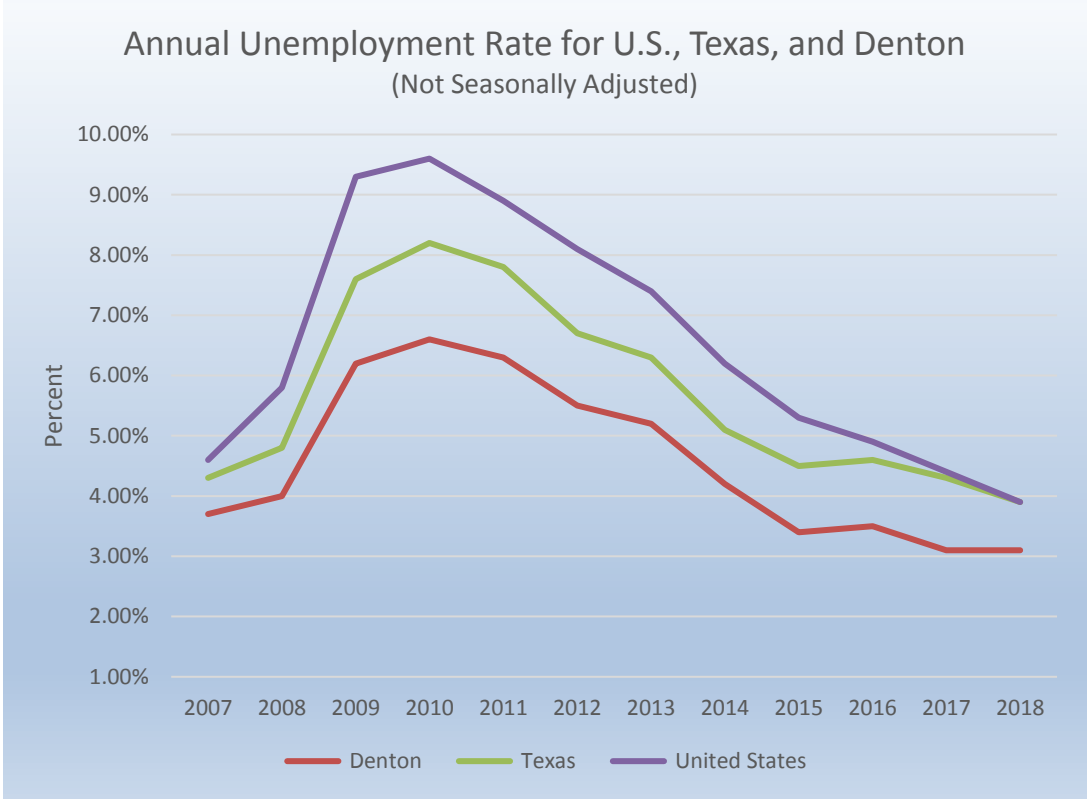
The internal service operations consist of the Materials Management, Fleet Services, Risk Retention, Health Insurance, Engineering Services, and Technology Services funds. The Materials Management Fund accounts for the financing of Warehouse and Purchasing services which are provided to other City departments. The Fleet Services Fund accounts for the financing of goods and services provided by the municipal garage to other departments within the City. The Risk Retention Fund accounts for the accumulation of resources for the payment of workers' compensation, general liability claims, and insurance policies. The Health Insurance Fund accounts for administration of the self-insurance program for health coverage in the City. The Engineering Services Fund accounts for the provision of internal engineering services to various City operations and capital projects. The Technology Services Fund provides support for the various information and computer systems within the City. The financial statements presented include all government activities, organizations, and functions for which the City is financially accountable as defined by the Governmental Accounting Standards Board (GASB).

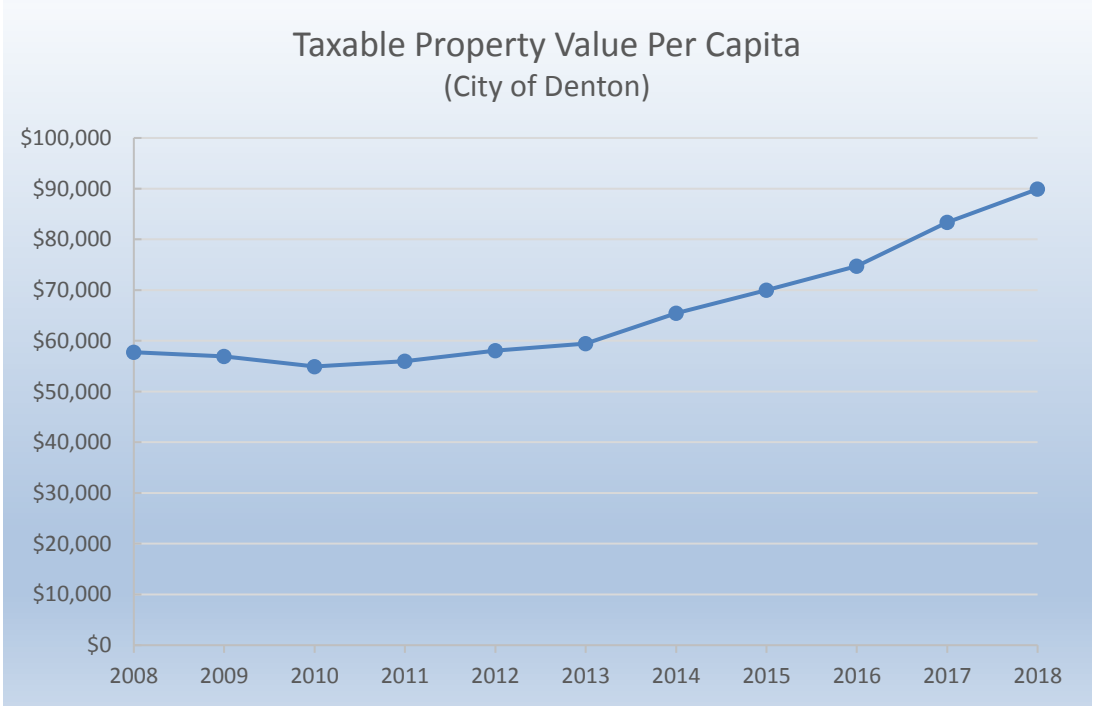
LOCAL ECONOMY

The City of Denton's tax base continues to grow with an average growth rate of 6.25% over the last 10 years. Recently, the City's tax base grew by 8.38% in FY 2016-17, 13.57% in FY 2017-18, and 9.70% in FY 2018-19. After property tax revenues, the second largest source of revenue in the General Fund is sales tax. Representing approximately 34% of overall revenue in the General Fund, sales tax is a significant revenue source that is dependent upon a variety of economic factors. For FY 2017-18, total sales tax revenues equaled $38,270,026, which is $1,428,889 or 3.88%, more than the prior year collections of $36,841,137.

Increased strength in employment and growth in new residential and commercial construction are leading indicators of continued growth in the City's property tax base and sales tax collections. The City of Denton's not seasonally adjusted annual unemployment average rate remains below state and national levels at 3.1 percent in 2018. The City of Denton has issued 2,102 new residential and commercial building permits for FY2017-18, with an estimated value of $612 million. This compares to a total of 1,592 commercial and residential permits issued for FY2016-17 and an estimated value of $471 million.

The following two charts highlight the strength of the local economy over the last ten years by displaying the City of Denton's unemployment rate compared to Texas and the United States and the taxable property values per capita in the City of Denton.


Annual Unemployment Rate for U.S., Texas, and Denton
(Not Seasonally Adjusted)
Percent
10.00%
9.00%
8.00%
7.00%
6.00%
5.00%
4.00%
3.00%
2.00%
1.00%
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
Denton
Texas
United States


Taxable Property Value Per Capita
(City of Denton)
$100,000
$90,000
$80,000
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$0
2008
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018

Fiscal year 2017-18 brought exciting news in economic development. Listed below are just a few of the highlights:

- The Rayzor Ranch mixed-use development is located on both the north and south sides of US Highway 380 in Denton. Rayzor Ranch Marketplace, on the north side of the development, has constructed over 500,000 square feet of retail and commercial space. Sam's Club and Wal-Mart anchor the development. New tenants at the Marketplace include: James Avery, TJ Maxx and Tuesday Morning. The southern Town Center continues to expand with the construction of Chase Bank and Zoës Kitchen. New tenants include: Cotton Patch Café, Massage Envy, Alamo Drafthouse, Rooms To Go, Cheddars Scratch Kitchen and Andy B's Entertainment and Bowling Center. These new tenants surround the Embassy Suites Hotel and Convention Center described in more detail below.

- O'Reilly Hotel Partners Denton (OHPD) opened the 70,000-square-foot Convention Center, 318-room Embassy Suites Hotel, and Houlihan's restaurant project in January 2018. The Embassy Suites by Hilton is LEED Gold Certified. As a major anchor for the Rayzor Ranch Town Center, the project capitalizes on the shopping, entertainment, and restaurants located nearby. The privately managed convention center is also expected to expand the City's convention business and overall tourism industry.

- The City's airport is expanding by adding a 5,000 foot long, 75-foot wide second runaway. This project is funded by the City and a grant by the Texas Department of Transportation – Aviation Division. The runway is under construction, with completion anticipated in early September 2019. This will significantly expand the capacity of the Denton airport which is currently the seventh busiest airport in Texas and the number one general aviation airport in the state.

- The North Central Texas College (NCTC) is moving forward with the construction of a new campus, the First State Bank Exchange, in downtown Denton that is scheduled to open in Fall 2019. The facility will be approximately 45,000 square feet with classrooms for 2,500 students. Plans also include a four-story parking garage with 350 spaces. NCTC has a partnership with the University of North Texas and Texas Woman's University that allows students to transfer without losing credits and gives student the opportunity to be concurrently enrolled at all three institutions.

- Denton was ranked number 6 by City Lab as one of America's Top 25 High-Tech Hotspots. One of the catalysts for this growth in high-tech is Stoke, Denton's coworking space and entrepreneurial center. Hickory & Rail Ventures took over the management of the coworking space in 2018. Their vision for Stoke is to make it the first of many places Denton entrepreneurs can call home. The center currently has 60-member companies. Some recent examples of their success include:
  - Flyp – An app that allows users to operate multiple phone numbers from a single smart phone. Users can then text and make/receive calls from those numbers, which each have a unique ringtone and voicemail box.
  - Upventur – Upventur is a social startup that gives outdoor enthusiasts and hobbyists a place to connect with fellow explorers, service providers, and experts.
  - Kubos – Kubos is a satellite software company targeting the emerging commercial space industry. It combines quality engineering, modern software development, and mission-critical services to serve the satellite industry.

- Denton Municipal Electric (DME) has invested in infrastructure with the Denton Energy Center (DEC), composed of twelve fast start electricity generating engines and ancillary equipment, which will be able to achieve full output in just five minutes. The DEC will generate 225 megawatts of electricity and is estimated to be operational this summer. The DEC will provide reliable energy at reduced costs for industries that are significant consumers of electric utility services. United States Cold Storage and Tyson Sales and Distribution, detailed below, are examples of these industries.

- United States Cold Storage (USCS) provides its clients with refrigerated and frozen food warehousing and transportation with 38 facilities in 13 states and 2,500 employees. In 2018, USCS closed on a 40-acre site in the Westpark Tax Increment Reinvestment Zone (TIRZ). USCS plans to offer storage, re-pack, case pick, distribution and transportation solutions for production facilities in the United States and Mexico. The company estimates that it will invest $34 million in the project, which will create

approximately $28 million in new ad valorem value in Denton. The estimated electric demand is 1.5 megawatts annually, which will make USCS a Top 25 customer for DME. The company plans to create 67 new jobs by Year 3 of operations with an average salary of $36,074. In 2018, USCS received a grant of a 50% cost share of the sales and use taxes for the construction of their new distribution facility on a 40-acre site in the Westpark TIRZ.

- Tyson Sales and Distribution provides refrigerated warehousing and distribution services to the Tyson Foods, Inc. companies. Tyson had $38 billion in sales in FY 2017 and employs 122,000. The company will construct 350,000+ square foot highly automated refrigerated distribution center. The facility will contain automated storage and retrieval systems, including stacker cranes, gantry robots for layer picking, pallet conveyors and transfer cars, and a monorail. It is expected to ship 700 million pounds of product annually from the facility. The facility will have about a 2-megawatt annual electric demand which will add another Top 25 customer for DME. It will employ 100 on a full-time basis with hourly wages ranging from $20 to $45. In 2019, Tyson received an abatement of 25% of their business personal property only (which does not go into the TIRZ) for 6 years.

LONG-TERM FINANCIAL PLANNING

In conjunction with this document, interested parties are encouraged to read the City of Denton's FY 2018-19 Annual Budget document. This document details the City's strategic plan, long-term financial policies, program accomplishments, and other key initiatives. The document also includes the long-term financial forecasts for each of the major funds, and a summary of the assumptions that are included in these plans. In addition, the budget document provides an overview of the adopted Capital Improvement Program and planned future debt issuances. The Annual Budget can be accessed through the City's web site at www.cityofdenton.com and selecting Financial Transparency under the "Open Government" link.

RELEVANT FINANCIAL POLICIES

The City of Denton maintains reserve balances for emergencies. In the General Fund, the target reserve level is a minimum of 20% of budgeted expenditures with an additional 5% resiliency reserve for a combined total of 25% to provide stability and flexibility for the organization. As described in the accompanying CAFR document, the unassigned fund balance is $28.9 million, or 23.06%, of the budgeted General Fund expenditures for the fiscal year ended September 30, 2018.

Beginning in FY 2011-12, the City adopted a policy which requires a minimum ending working capital balance (current assets minus current liabilities) of at least 8% of budgeted expenditures for the Electric, Water, Wastewater and Solid Waste Funds. If the working capital level should fall below the desired minimum, the City will implement necessary corrective action with a five-year plan to restore the working capital balance to 8% of budgeted expenditures.

Additionally, rate reserve levels were established for the Electric, Water, Wastewater, and Solid Waste Funds in FY 2011-12 according to the unique operational aspects of each utility. The rate reserve levels were most recently revised in FY 2015-16 based on the factors of revenue stability, expense and demand volatility, infrastructure age, debt levels and management plans for the use of these reserves. The rate reserve level is established at a range of 8% to 12% of expenses for the Electric Fund, at a range of 20% to 31% of expenses for the Wastewater Fund, at a range of 25% to 42% of expenses for the Water Fund, and at a range of 6% to 10% of expenses for the Solid Waste Fund. If the rate reserve level falls below the range, the City will implement necessary corrective action within a five-year plan to restore the balances to the levels outlined above.

The City of Denton has adopted an Investment Policy which guides the investment of all City funds. In accordance with State law, the policy is reviewed annually by the City Council to ensure that public funds are being invested in a conservative and prudent fashion. In addition, the City also annually reviews and approves a Debt Management policy. The purpose of this policy is to provide general guidelines regarding the issuance of City debt and the use and limitation of such debt. The City complied with all aspects of the Investment and Debt Management policies during FY 2017-18.

MAJOR INITIATIVES

In FY 2017-18, the City continued to emphasize street maintenance and repair activities as funding in the Street Improvement Fund increased by $1.1 million. This additional funding was used for concrete pavement, curb and gutter, and sidewalk repairs along with additional crack and micro seal repairs. In addition to improving the City's street infrastructure, the enhancement of public safety is also identified in the Strategic Plan as a major initiative. Accordingly, the FY 2017-18 General Fund budget included $1.4 million in funding enhancements for public safety programs. These enhancements included a new medic unit (six new personnel) at Fire Station 4 and Taser system expansions ate the Police Department.

Employee compensation remained a continuing priority in FY 2017-18 with an average 3% merit increase provided to all employees along with eligible step increases for all police and fire civil service personnel. Another major funding priority was $1.2 million of one-time capital expenditures from the Traffic Safety Fund. These expenditures included the replacement of three traffic signals.

AWARDS AND ACKOWLEDGEMENTS

The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2017, for the thirty second consecutive year. In order to be awarded the Certificate of Achievement in Financial Reporting, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfies both generally accepted accounting principles and applicable legal requirements. The Certificate of Achievement is held for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

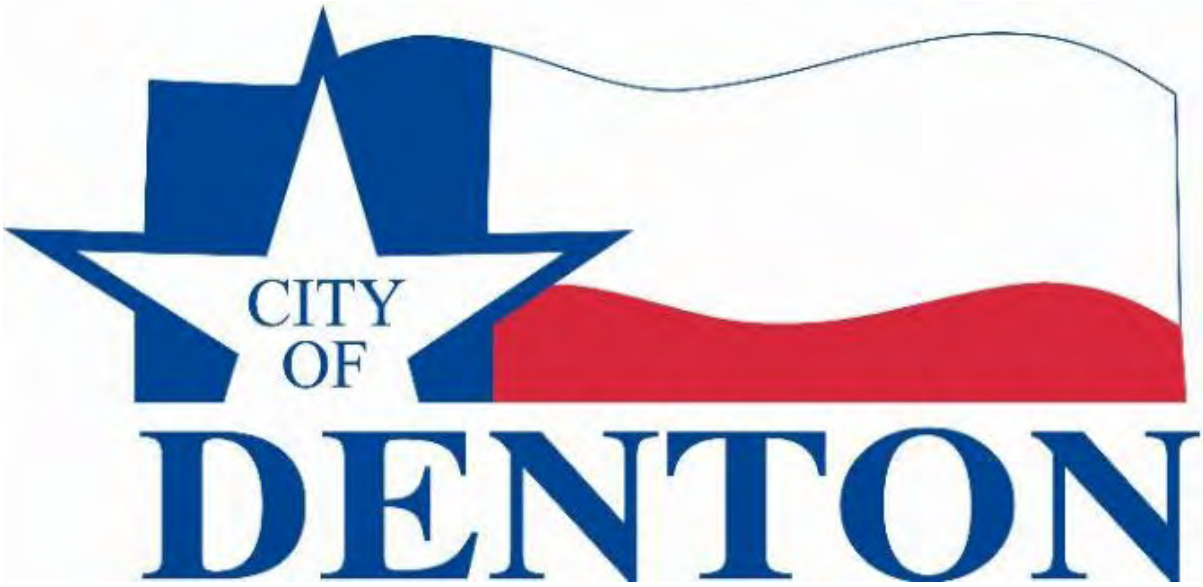
The City also received the GFOA award for Distinguished Budget Presentation for its fiscal year 2017-18 Annual Budget for the thirty second consecutive year. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged according to its compliance with specific guidelines established by GFOA. These guidelines help ensure that Denton's budget is distinguished as an operations guide, financial plan, policy document, and communications device. The City has submitted its fiscal year 2018-19 Annual Budget to GFOA to determine its eligibility for another certificate. We believe it continues to meet the Distinguished Budget Presentation Award criteria.

In 2018, the City's Purchasing Department earned the Excellence in Procurement Award from the National Purchasing Institute, Inc. (NPI) for the twentieth year in a row. This award is achieved by those organizations that demonstrate excellence in procurement by achieving a high score on standardized criteria designed to measure innovation, professionalism, productivity, and leadership. NPI represents purchasing officials employed by national, state, and local governments; educational institutions; and tax-supported and public entities throughout the country.

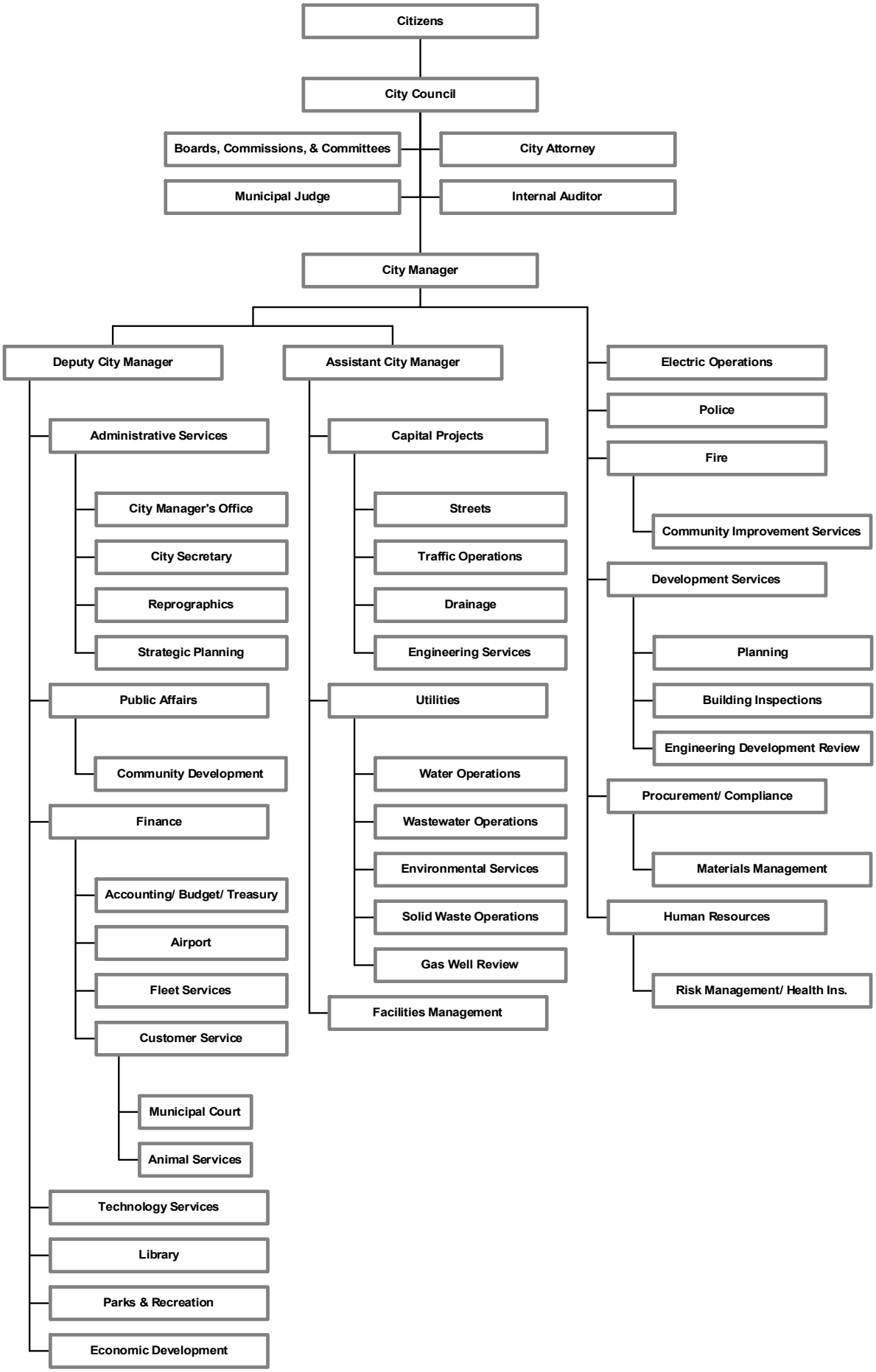
We would like to thank the City Council for their strong leadership and support that helped make the presentation of this report possible. We would also like to thank the City Manager, Finance staff, department directors, division heads and especially the Accounting Division staff for their diligent efforts in the preparation of the annual financial report.

Bryan Langley
Deputy City Manager

Antonio Puente, Jr.
Chief Financial Officer


CITY
OF
DENTON

Current Organizational Chart



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Denton

Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2017

Christopher P. Morrill

Executive Director/CEO

CITY OF DENTON, TEXAS

List of Principal Officials

ELECTED OFFICIALS

Title	Name
Mayor	Chris Watts
Councilmember, District 1	Gerard Hudspeth
Councilmember, District 2	Keely G. Briggs
Councilmember, District 3	Don Duff
Councilmember, District 4, Mayor Pro Tem	John Ryan
Councilmember, At Large Place 5	Deb Armintor
Councilmember, At Large Place 6	Paul Meltzer

CITY OFFICIALS

Title	Name
City Manager	Todd Hileman
Deputy City Manager / Chief Operating Officer	Bryan Langley
Assistant City Manager	Mario Canizares
City Attorney	Aaron Leal
Municipal Judge	Robin Ramsay
City Secretary	Jennifer Walters

PB&H

PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council
City of Denton, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Denton, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Denton, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City of Denton, Texas' management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OFFICE LOCATIONS
TEXAS | Waco | Temple | Hillsboro | Houston
NEW MEXICO | Albuquerque

AICPA
GAQC Member

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Denton, Texas, as of September 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note I to the financial statements, in 2018 the City of Denton, Texas adopted new accounting guidance, Governmental Account Standards (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and OPEB information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Denton, Texas' basic financial statements. The introductory section, combining and individual fund financial statements and schedules, capital assets schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the capital assets schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and the capital assets schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

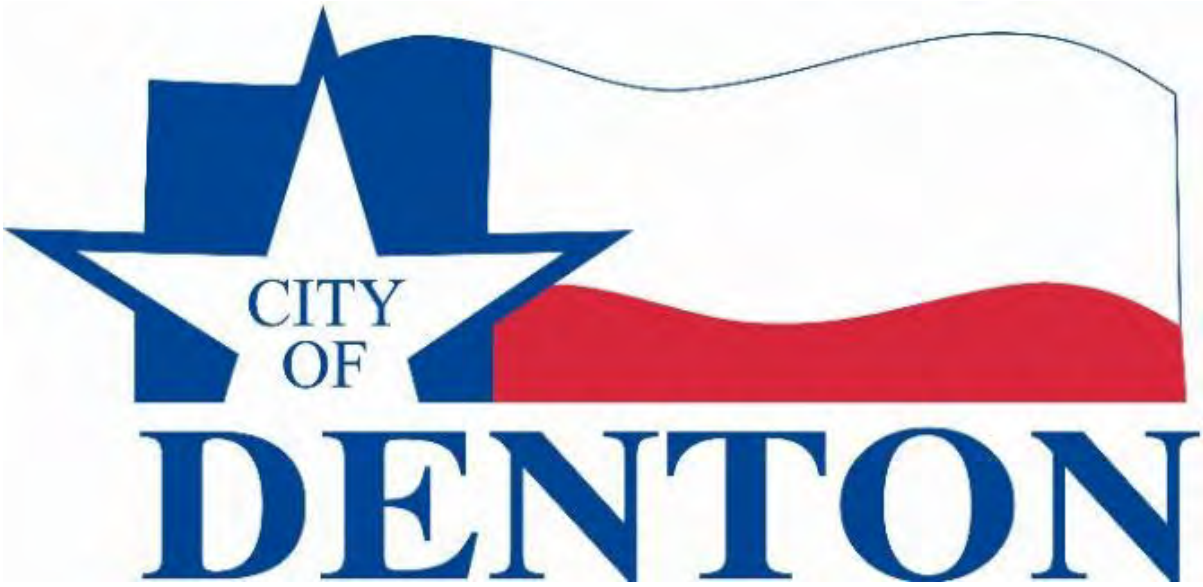
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2019 on our consideration of the City of Denton, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Denton, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 28, 2019


CITY
OF
DENTON

The Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the City's financial activity, (c) identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter (beginning on page i) and the City's financial statements (beginning on page 17).

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the fiscal year ended September 30, 2018 by $935,276,385 (net position). Of this amount, $158,503,794 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position on the statement of net position increased by $131,776,812 in fiscal year 2018.
- As of September 30, 2018, the City's governmental funds reported combined fund balances of $182,101,943, an increase of $40,137,195 in comparison with the prior fiscal year. Compared to the prior year, revenues were higher by $30.8 million due primarily to higher property tax of $2.8 million, sales tax of $1.4 million, hotel occupancy tax of $0.4 million, building permits of $0.7 million, franchise fees of $1.8 million, fees for services of $0.1 million, investment revenue of $0.6 million, other intergovernmental revenues of $20.8 million, and miscellaneous revenue of $2.7 million. The higher revenues were offset by lower fines and forfeitures of $0.5 million. Expenditures reflect higher costs for public safety of $5.2 million, higher costs for general government of $1.5 million, higher costs for parks and recreation of $0.5 million, higher capital expenditures of $17.7 million, and higher debt service interest costs of $0.8 million. The higher expenditures were offset by lower public works expenditures of $1.2 million. Total expenditures of the City's combined governmental funds are $24.5 million higher than the prior year. New proceeds from the issuance of long-term debt added $57.0 million in new funding. Net transfers out increased by $7.5 million, from a net transfer in of $0.9 million in fiscal year 2017, to a net transfer out of $6.7 million in fiscal year 2018. Approximately 15.4% of the $182,101,943, or $27,974,751, is available for spending at the government's discretion (unassigned fund balance).
- The City's total noncurrent liabilities, including other noncurrent liabilities, increased by $5,494,410 during the fiscal year. The primary reasons for the changes are the issuance of $39.1 million of certificates of obligation and $19.2 million of general obligation bonds, which were offset by the scheduled pay down of general obligation bonds and certificates of obligation of $53.9 million and the amortization of related premium and discounts of $6.0 million. Favorable market conditions contributed to a decrease of $26.1 million in pension liabilities. The City's liability for other post-employment benefits increased $31.9 million due to a new actuarial study and implementation of GASB Statement No. 75. Other changes include an increase of $0.9 million for the City's landfill closure and post closure liability, an increase of claims payable of $0.4 million, an increase in compensated absences of $0.5, and a decrease in leases payable of $0.5 million. Additional information on the City's long-term debt can be found in note IV.G. on pages 56 - 60 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the City of Denton's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets, liabilities, deferred inflows, and deferred outflows with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used vacation leave). Both the statement of net position and the statement of activities are prepared using the accrual basis of accounting as opposed to the modified accrual basis.

In the Statement of Net Position and the Statement of Activities, the City is divided between two kinds of activities:

- **Governmental activities**. Most of the City's basic services are reported here, including police, fire, libraries, development, public services and operations, public works, building inspection, technology services and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.
- **Business-type activities**. The City charges a fee to customers to cover the cost of services it provides. The City's utility systems (electric, water and wastewater), solid waste, and airport activities are reported here.

The government-wide financial statements can be found on pages 17 - 19 of the report.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other monies. The below illustration summarizes the major features the City's financial statements.

Major Features of City of Denton's Government-wide and Fund Financial Statements

		Fund Statements	
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government	Activities of the City that are not proprietary, such as police, fire and parks	Activities the City operates similar to private businesses: electric, water, wastewater utilities, solid waste and airport operations
Required financial statements	Statement of net position Statement of activities	Balance Sheet Statement of revenues, expenditures and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in net position Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Types of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year of soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

- **Governmental funds**. The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

  The City of Denton maintains twelve governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund and capital projects fund, all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated presentation. Individual fund data for eight of these non-major governmental funds, along with an aggregate of all other governmental funds, is provided in the form of combining statements elsewhere in this report.

- **Proprietary funds**. The City charges customers for certain services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are similar to the business-type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows. The internal service funds (the other component of proprietary funds) are utilized to report activities that provide supplies and services for the City's other programs and activities, such as the City's municipal warehouse, the City's self-insurance fund, and the City's equipment maintenance function. Because these services benefit both governmental and business-type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

  The City of Denton maintains five enterprise funds. The City uses enterprise funds to account for its electric, water, wastewater, solid waste, and airport operations. The funds provide the same type of information as the government-wide financial statements, only in more detail and include the internal service fund-type activity. The City considers all enterprise funds to be major funds.

- **Fiduciary funds**. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are <u>not</u> reflected in the government-wide financial statement because the resources of those funds are <u>not</u> available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are a component of fiduciary funds. Agency funds differ from other fiduciary funds in that they do not typically involve a formal trust agreement. Agency funds are used to account for situations where the City's role is purely custodial, such as receipt, temporary investment and remittance of fiduciary resources to individuals, private organizations, or other governments.

  The City maintains one fiduciary fund, an agency fund. The City uses agency funds to account for the collection and payment of property and evidence, temporary developer holdings and other similar relationships.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35 - 85 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As of September 30, 2018, the City's combined net position were $935,276,385, of which $196,533,071 can be attributed to governmental activities and $738,743,314 attributed to business-type activities. This analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

The largest portion of the City's net position (78.6%) reflects its investment in capital assets (e.g., land, building, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Table 1
Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	$ 289,367	$ 268,812	$ 426,310	$ 541,416	$ 715,677	$ 810,228
Capital assets, net of accumulated depreciation	310,971	266,657	1,224,104	1,081,445	1,535,075	1,348,102
Total assets	600,338	535,469	1,650,414	1,622,861	2,250,752	2,158,330
Deferred outflows of resources	26,043	26,540	13,973	15,437	40,016	41,977
Long-term liabilities outstanding	319,898	272,171	889,517	931,750	1,209,415	1,203,921
Other liabilities	92,018	112,156	27,357	46,513	119,375	158,669
Total liabilities	411,916	384,327	916,874	978,263	1,328,790	1,362,590
Deferred inflows of resources	17,932	4,253	8,770	526	26,702	4,779
Net position:						
Net investment in capital assets	194,211	165,408	540,697	502,801	734,908	668,209
Restricted	21,655	14,531	20,209	11,516	41,864	26,047
Unrestricted	(19,333)	(6,510)	177,837	145,192	158,504	138,682
Total net position	$ 196,533	$ 173,429	$ 738,743	$ 659,509	$ 935,276	$ 832,938

Governmental activities increased the City's net position by $40,064,536 with a prior period adjustment decreasing governmental activities by $16,960,959. Business-type activities increased the City's net position by $91,712,276 with a prior period adjustment decreasing business-type activities by $12,478,262. The key elements of these increases are contained in Table 2.

Table 2
Changes in Net Position
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	$ 20,212	$ 19,334	$ 318,471	$ 282,063	$ 338,683	$ 301,397
Operating grants and contributions	3,698	4,668	-	-	3,698	4,668
Capital grants and contributions	33,991	17,180	20,520	20,348	54,511	37,528
General Revenues:						
Property tax	67,186	64,349	-	-	67,186	64,349
Sales tax	38,270	36,841	-	-	38,270	36,841
Franchise tax	26,007	24,211	-	-	26,007	24,211
Hotel occupancy tax	2,734	2,374	-	-	2,734	2,374
Beverage tax	632	618	-	-	632	618
Bingo tax	11	14	-	-	11	14
Investment Income	1,938	1,330	4,083	3,472	6,021	4,802
Miscellaneous	4,889	2,234	241	384	5,130	2,618
Total revenues	199,568	173,153	343,315	306,267	542,883	479,420
Expenses:						
General government	37,969	40,762	-	-	37,969	40,762
Public safety	71,945	68,547	-	-	71,945	68,547
Public works	25,684	24,994	-	-	25,684	24,994
Parks and recreation	17,422	16,793	-	-	17,422	16,793
Interest on long-term debt	5,379	4,971	-	-	5,379	4,971
Electric	-	-	168,111	174,901	168,111	174,901
Water	-	-	27,481	28,203	27,481	28,203
Wastewater	-	-	26,284	26,730	26,284	26,730
Solid waste	-	-	29,028	34,533	29,028	34,533
Airport	-	-	1,803	1,931	1,803	1,931
Total expenses	158,399	156,067	252,707	266,298	411,106	422,365
Increase in net position before transfers	41,169	17,086	90,608	39,969	131,777	57,055
Transfers	(1,104)	917	1,104	(917)	-	-
Increase in net position	40,065	18,003	91,712	39,052	131,777	57,055
Net position at beginning of year	173,429	155,426	659,509	620,457	832,938	775,883
Prior period adjustment	(16,961)	-	(12,478)	-	(29,439)	-
Net position at beginning of year	156,468	155,426	647,031	620,457	803,499	775,883
Net position at end of year	$ 196,533	$ 173,429	$ 738,743	$ 659,509	$ 935,276	$ 832,938

Governmental activities. Expenses for the governmental activities reflects a decrease of $2.8 million in general government expenses. This decrease was offset by an increase of $3.4 million in public safety, a $0.7 million increase in public works, and a $0.6 million increase in parks and recreation. The most significant governmental activities expense was in providing public safety, which incurred expenses of $71,945,219. The most significant portion of public safety is the cost of personnel, which totaled $55,804,242. Governmental activities expense also includes general government, which incurred $37,968,945 in expenses, of which $15,959,200 represented personnel charges.

These expenses were funded by revenues collected from a variety of sources, with the largest being from property taxes, which are $67,185,610 for the fiscal year ended September 30, 2018. The $16.7 million increase in the governmental program revenues are mainly due to an increase of $17.2 million in capital grants and contributions for public works. The increase was offset by a decrease of $0.4 million for parks and recreation and $0.1 million for general government. Increases in charges for services of $1.2 million for General government and $0.4 for parks and recreation were offset by decreases of $0.6 million for public safety and $0.2 for public works. Total operating grants and contributions decreased by $1.0 million for general government, public safety, and parks and recreation. Governmental general revenues included an increase of $2.8 million for property tax due to rising values and new construction, and an increase of $1.4 million for sales tax due to an improving economy. Transfers reflect a $6.6 million transfer out of governmental activities for the current year as compared to a transfer in of $0.9 million for the prior fiscal year.

Business-type activities. Business-type activities increased the City's net position by $91,712,276 with a prior period adjustment of $12,478,262. This accounts for 77.4% of the growth in the entity-wide net position. All Utility service revenues increased by a total of $30.0 million. Electric charges for services increased by $24.7 million. Water charges for services increased by $4.7 million as compared to the service charges from prior year. Wastewater charges provided $0.8 million of the increase. Solid Waste charges for service provided decreased $0.2 million compared to the prior year. Airport charges for goods and services increased by $0.3 million as compared to service charges from the prior year. Water and Wastewater collected $7.9 million and $4.0 million in impact fees, respectively, reflecting a $4.5 million increase over the prior year. Capital contributions, which arise from new property development within the City, represent a major revenue source for the Water and Wastewater funds during the current fiscal year. Capital contributions were $20.5 million during the year and represent a $0.2 million increase from the prior year. The Airport gas well revenues contributed an additional $0.4 million to the increase in net position, a decrease of $0.2 million from the prior year. Total enterprise funds operating costs, before depreciation, decreased $7.8 million. Electric expenses reflect a decrease in costs for purchased power costs of $4.4 million and administrative costs of $1.2 million. These declines were offset by an increase in insurance costs of $0.7 million. Water expenses reflect $0.1 million in decreased costs for personal services. Wastewater expenses include an increase in administrative costs of $0.3 million that was offset by a decrease in maintenance and repair costs of $0.3 million. Solid Waste operations expenses reflect decreased costs for personal services of $0.6 million and closure/post closure costs of $1.9 million compared to the prior year. Airport operations expenses reflect a $0.1 million decrease in personnel costs.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources available to spend. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $182.1 million, an increase of $40.1 million in comparison with the prior year. $27,974,751 constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance has been classified to indicate that it is not available for new spending because it has already been classified as restricted ($126.5 million), committed ($8.2 million), and assigned ($19.4 million).

The General Fund is the chief operating fund of the City. At September 30, 2018, the unassigned fund balance of the General Fund was $28.9 million, or 23.1% of budgeted general fund expenditures. The General Fund's ending fund balance decreased by $1.5 million during the current fiscal year. The change in fund balance is due to expenditures, including other financing uses, of $114.9 million, and revenues, including other financing sources, of $113.4 million. Revenues were $3.0 million higher compared to the previous year primarily due to increased taxes of $2.6 million and licenses and permits of $0.7 million. These increases were offset by decreases

in revenue of $0.1 million for fines and forfeitures and $0.2 million in fees for services. The net change in expenditures was $8.0 million higher as compared to the previous year primarily due to increased costs related to personal services, operations, and transfers out. The increased personnel costs accounted for $4.0 million, of which public safety accounted for all of the personnel costs. The increase in operations, services costs of $1.2 million over the prior year is related to an increase of general government in the amount of $0.4 million, public safety in the amount of $0.3 million, and parks and recreation in the amount of $0.5 million. The increased insurance costs of $0.7 million is due to an increase in general government of $0.2 million and public safety of $0.5 million.

Personnel costs, on a year over year comparison, were higher due to an average merit increase of 3% for non-civil service employees, a pay adjustment for civil service employees to reach the market average plus 5% and continued step raises for public safety civil service employees. During the fiscal year 11 FTE's were added to public safety including 4.0 FTE's for Police and 7.0 FTE's for Fire.

At the end of the fiscal year, the capital projects fund has a total fund balance of $125.5 million, an increase of $36.2 million. The total fund balance is made up of $104.5 million in restricted funds, $3.0 million in committed funds, and $18.0 million in assigned funds, all for capital construction and acquisition. In 2018, the City received $60.2 million of proceeds from the issuance of debt and recognized $20.5 million of regional toll revenues from the Texas Department of Transportation, while expending $52.8 million on construction and acquisition. In addition, the capital projects fund received $1.0 million in interest income and $13.5 million of transfers from other funding sources. The City also received approximately $8.1 million more in developer's contributed capital recorded in the government-wide financial statements. This is $1.3 million less than in the prior year.

The debt service fund has a total fund balance of $5.5 million, all of which is restricted for the payment of debt service. As compared with the prior year results, the overall increase in the debt service fund balance of $0.1 million resulted from an increase of $1.3 million in tax revenue offset by an increase of $1.9 million in principal and interest costs. Additional amounts include a reduction from the prior year of a $0.6 million of premiums on debt issuance, and a reduction of transfers in by $0.1 million.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at September 30, 2018 in proprietary funds are $70.8 million for Electric, $51.8 million for Water, $38.6 million for Wastewater, $1.8 million for Solid Waste, and $3.3 million for the Airport Fund. The results reflect increases of the unrestricted net position in the Electric Fund of $23.0 million, the Water fund of $6.9 million, the Wastewater fund of $0.5 million, and the Airport fund of $0.5 million. The Solid Waste fund unrestricted net position decreased by $1.1 million. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Denton's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2018, four formal amendments to adjust the City of Denton's Annual Program of Services were approved by Council for the General Fund. Council approved funding to provide for additional improvements, equipment and other expenses. The additional funds increased the General Fund by $5.7 million to fund traffic and park improvements, the Electric Fund by $24.0 million to fund capital improvements, the Capital Projects Fund by $11.8 million, the Downtown Tax Increment Reinvestment Zone by $1.5 million for sidewalks and streetlights, the Solid Waste Fund for $0.8 million to fund a reimbursement to the Electric Fund, the Risk Retention Fund by $0.6 million to fund additional claims, $0.1 million each to the Park Land Dedication and Park Development Funds for park land acquisition and development, and $20,000 to the Debt Service Fund for additional fiscal charges.

GENERAL FUND BUDGET TO ACTUAL HIGHLIGHT

For fiscal year 2018, General Fund actual expenditures (including transfers) on a budgetary basis were $123.2 million compared to the final budget of $125.4 million. The $2.2 million positive expenditure variance was primarily due to reduced costs of $1.3 million in personnel, $0.4 million in materials and supplies, $0.2 in maintenance and repairs, and $0.3 million in service operations.

The personnel savings is due to reduced costs of $0.2 million in general government, $0.3 million in public safety, $0.2 million in public works and $0.6 million in parks and recreation. In addition to personnel savings, general government and parks and recreation both saw positive variances to budget of $0.2 million in materials and supplies. Maintenance and repair costs were favorable to budget by $0.1 in general government. The net favorable variance in service operations was due to general government savings of $0.6 million that was offset by increased costs for public safety of $0.2 million and $0.1 million in parks and recreation.

Actual revenues for the General Fund (including transfers and sale of capital asset) on a budgetary basis were $121.7 million compared to the final budget of $119.7 million. Of the $2.0 million revenue variance, favorable sales tax revenues of approximately $2.1 million were offset by a $0.2 million negative revenue variance for ad valorem taxes. In addition, favorable revenue variances of $1.0 million for licenses and permits and $0.3 million for franchise fees were offset by negative revenue variances of $0.4 million for fines and forfeitures and $0.8 million for fees for services.

The City of Denton's General Fund unassigned fund balance at September 30, 2018 is $28.9 million, or 23.1% of budgeted expenditures. Below is a listing of the ending unassigned balances for the prior year, as well as the fiscal year 2018 unassigned fund balance.

	Actual 9/30/2018	Actual 9/30/2017
Unassigned balance	$28,918,681	$31,770,773
% of final budgeted expenditures	23.1%	26.7%
Policy level	20% plus up to a 5% resiliency reserve	20% plus up to a 5% resiliency reserve

The largest revenue source of the General Fund's budget was the ad valorem tax. Denton's ad valorem tax rate is comprised of two components. The first is the operations and maintenance component that is used to calculate revenue for the City's General Fund operations. The second component is the debt portion that is used to calculate revenue to pay the City's general debt service obligations. The Denton Central Appraisal District's certified appraisal roll shows an increase of 13.32% compared to the prior year certified value, which showed an increase of 8.23%. The current property tax year included $288.6 million of new growth and construction that was added to the tax rolls in Tax year 2017 as compared to Tax year 2016. The fiscal year 2018 ad valorem tax rate decreased to $0.637856 as compared to the prior years' rate of $0.683340 per $100 of valuation.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. At the end of fiscal year 2018, the City had $1,535,075,855 invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, bridges, electrical infrastructure, and water and sewer lines (see Table 3 below). This amount represents a net increase (including additions and deductions) of $186,973,859 or 13.9% over the prior fiscal year.

Table 3
Capital Assets at Year-end
(Net of Accumulated Depreciation, in Thousands)

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	$ 22,244	$ 21,679	$ 49,287	$ 29,413	$ 71,531	$ 51,092
Landfill improvements	-	-	2,170	3,712	2,170	3,712
Building and improvements	43,986	40,172	17,852	16,009	61,838	56,181
Plant, machinery and equipment	42,981	40,691	336,017	263,292	378,998	303,983
Water rights	-	-	49,439	50,135	49,439	50,135
Infrastructure	114,902	107,434	380,315	363,451	495,217	470,885
Construction in progress	86,858	56,681	389,024	355,433	475,882	412,114
Total capital assets	$ 310,971	$ 266,657	$1,224,104	$1,081,445	$1,535,075	$1,348,102

This year's major asset additions included:

Description	Amount
Arco Substation Reconstruction	$ 15,523,934
North Lakes Substation Expansion	12,091,244
Kings Row Substation	10,978,714
Denton North - Kings Row Transmission Lines	7,800,052
McKinney - Cooper Creek Transmission Lines	6,199,133
Fire Station #2 Expansion	5,491,543
Teasley - Pockrus Transmission Line Rebuild	4,852,089
Woodrow - McKinney Transmission Line	4,730,607
North Lakes - Denton North Transmission Line	4,153,294
Beaver Creek Subdivision Infrastructure	3,941,023
Rayzor Ranch Town Center Infrastructure	3,885,131
Denton North Interchange 138Kv Converter	3,742,716
Bonnie Brae - North Lakes Transmission Line	3,499,573
Teasley Trails Subdivision Infrastructure	3,361,445
Preserves at Pecan Creek Subdivision Infrastruct	3,051,554
Water Works Park Additions	2,746,811
Total	$ 96,048,863

Additional information on the City's capital assets can be found in note IV. D. on pages 51 - 53 of this report.

Debt. At year-end, the City had $982.1 million in bonds and notes outstanding as compared to $977.7 million at the end of the prior fiscal year, an increase of 0.45%, as shown in Table 4.

Table 4
Outstanding Debt at Year-end
(in thousands)

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General obligation bonds	$ 127,648	$ 118,268	$ 111,347	$ 127,677	$ 238,995	$ 245,945
Certificates of obligation	81,200	49,285	447,050	467,620	528,250	516,905
Revenue bonds	-	-	214,890	214,890	214,890	214,890
Total	$ 208,848	$ 167,553	$ 773,287	$ 810,187	$ 982,135	$ 977,740

These amounts do not include net unamortized premiums/ (discounts) of $74,020,204 or net deferred gain/ (loss) on refunding of ($5,099,034).

During the current fiscal year, the City issued debt two times, in June 2018 and in September 2018. The June debt issuance included $19.2 million of general obligation bonds and $9.6 million in certificates of obligation to pay the costs of various governmental capital improvements. The September debt issuance resulted in $29.5 million in certificates of obligation, of which $1.4 million was for enterprise operations, to pay for various capital improvements. Normal pay down in debt was $26.2 million in general obligation bonds and $27.8 million in certificates of obligation.

Moody's Investor's Service, Inc. has given the City's General Obligation Bonds and the Certificates of Obligation a rating of "Aa2." Moody's did not rate the City's Utility System Revenue Bonds. Standard and Poor's Corporation has given both the City's General Obligation Bonds and Certificates of Obligation an "AA+" rating. Standard and Poor's Corporation has given the City's Utility System Revenue Bonds a rating of "AA-". Fitch has given the City's General Obligation Bonds and the Certificates of Obligation a rating of "AA+." Fitch has given the City's Utility System Revenue Bonds a rating of "A+". The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt. The current ratio of tax-supported debt to certified assessed value of all taxable property is 2.33%.

Other long-term liabilities. The City maintains a self-insurance program for general liability, auto liability, public officials' liability, errors and omission liability, police professional liability, and workers' compensation. Private insurance companies cover claims for property loss over $50,000 per location/$250,000 per occurrence aggregate, for workers' compensation losses over $500,000 per occurrence, and for liability over $500,000 per occurrence. The Risk Retention Fund has a reserve for claims and judgments of $2.8 million outstanding at year-end compared with $2.5 million at the end of the prior fiscal year. Other obligations include pension liabilities, accrued vacation pay and sick leave. More detailed information about the City's long-term liabilities is presented in Note IV. G., on pages 56 - 60 of this report.

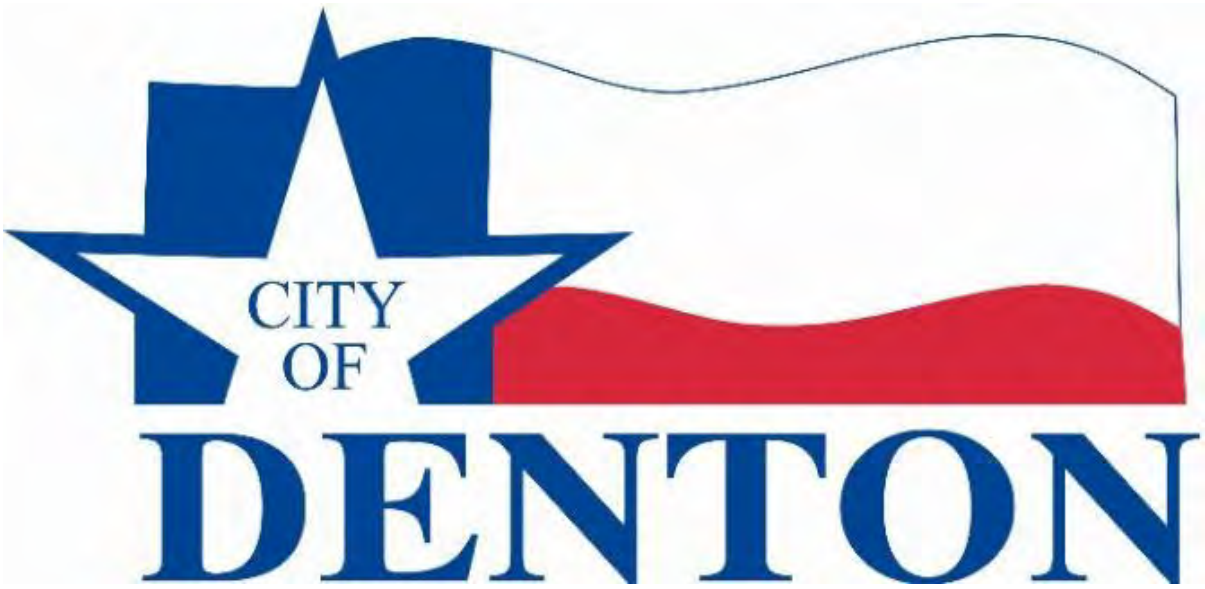
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

While growth for the Denton community is expected to be moderate in the short term, demands for city services are expected to remain strong over the long term. As a result, the fiscal year 2019 Budget includes an Ad valorem tax rate of $0.620477/$100 valuation, a decrease of $0.017379/$100 in comparison to the prior year. While sales tax increased over the prior year by 3.9%, the fiscal year 2019 Budget projects an increase of 5.0% over fiscal year 2018 actual sales tax revenues. General Fund expenditure enhancements for fiscal year 2019 include new positions in public safety, parks and recreation, and internal audit. Funding enhancements of $1.7 million will be budgeted for public safety, $1.0 million for neighbor services, and $1.0 million for administrative and community services in fiscal year 2019 in accordance with priorities established through the Strategic Plan.

The fiscal year 2019 budget includes no Electric base rate changes and a one year suspension of the Transmission Cost Recovery Factor for a net residential decrease of 3.5% with minor variances across customer classes for electric customer classes. Water rates have no changes in fiscal year 2019. There are no rate changes for solid waste customers beyond the 12% mid-year reduction provided to residential customers in fiscal year 2018. Wastewater rates include a 5% reduction in fiscal year 2019.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Denton Finance Department, 215 E. McKinney, Denton, Texas 76201.


CITY
OF
DENTON

CITY OF DENTON, TEXAS **Exhibit I**
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current assets:			
Cash, cash equivalents and investments, at fair value	$ 76,992,520	$ 190,089,013	$ 267,081,533
Receivables, net of allowances:			
Taxes	8,317,499	-	8,317,499
Accounts	-	17,784,317	17,784,317
Unbilled utility service	-	14,529,185	14,529,185
Interest	413,954	929,048	1,343,002
Other	2,470,754	8,382,079	10,852,833
Internal balances	(16,255,420)	16,255,420	-
Due from other governments	3,908,135	-	3,908,135
Inventory	6,583,598	-	6,583,598
Prepaid items	287,963	22,483,864	22,771,827
Other Assets	-	23,268,440	23,268,440
Total current assets	82,719,003	293,721,366	376,440,369
Noncurrent assets:			
Restricted assets:			
Cash, cash equivalents and investments, at fair value	205,235,442	131,893,494	337,128,936
Escrow deposits	189,000	50,000	239,000
Accrued interest	966,379	644,648	1,611,027
Other receivables	256,618	-	256,618
Capital assets not being depreciated:			
Land	22,243,771	49,287,184	71,530,955
Construction in progress	86,858,308	389,024,110	475,882,418
Capital assets, net of accumulated depreciation:			
Buildings	43,985,954	17,852,132	61,838,086
Plant, machinery and equipment	42,981,397	336,017,449	378,998,846
Infrastructure	114,901,994	380,314,828	495,216,822
Landfill improvements	-	2,170,014	2,170,014
Water rights	-	49,438,714	49,438,714
Total noncurrent assets	517,618,863	1,356,692,573	1,874,311,436
Total assets	600,337,866	1,650,413,939	2,250,751,805
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred loss on refundings	1,590,477	3,508,557	5,099,034
Deferred pension balances	22,563,323	9,407,118	31,970,441
Deferred other post-employment benefit balances	1,889,212	1,057,475	2,946,687
Total deferred outflows of resources	26,043,012	13,973,150	40,016,162
LIABILITIES:			
Current liabilities:			
Accounts payable	7,668,044	8,102,284	15,770,328
Retainage payable	79,132	55,167	134,299
Deposits	-	4,416,529	4,416,529
Accrued interest	3,064	-	3,064
Other liabilities	395,792	-	395,792
Unearned revenue	75,648,717	4,105,642	79,754,359
Payable from restricted assets:			
Accounts payable	5,252,847	1,955,725	7,208,572
Retainage payable	1,948,498	2,205,459	4,153,957
Accrued interest	1,021,961	6,516,020	7,537,981
Total current liabilities	92,018,055	27,356,826	119,374,881
Noncurrent liabilities:			
Noncurrent liabilities due within one year	27,345,976	51,589,176	78,935,152
Noncurrent liabilities due in more than one year	292,551,766	837,928,357	1,130,480,123
Total noncurrent liabilities	319,897,742	889,517,533	1,209,415,275
Total liabilities	411,915,797	916,874,359	1,328,790,156
DEFERRED INFLOWS OF RESOURCES:			
Deferred pension balances	17,932,010	8,769,416	26,701,426
Total deferred inflows of resources	17,932,010	8,769,416	26,701,426
NET POSITION:			
Net investment in capital assets	194,210,730	540,697,505	734,908,235
Restricted for:			
Debt service	4,773,267	2,683,644	7,456,911
Parks and recreation	5,565,167	-	5,565,167
Capital acquisition	4,157,671	17,525,764	21,683,435
Other grants and purposes	7,158,843	-	7,158,843
Unrestricted	(19,332,607)	177,836,401	158,503,794
Total net position	$ 196,533,071	$ 738,743,314	$ 935,276,385

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit II**
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental activities:				
General government	$ 37,968,945	$ 6,489,438	$ 1,734,744	$ -
Public safety	71,945,219	8,221,314	1,447,303	238,358
Public works	25,683,779	649,293	-	32,998,320
Parks and recreation	17,422,273	4,852,322	515,649	754,628
Interest expense	5,379,149	-	-	-
Total governmental activities	158,399,365	20,212,367	3,697,696	33,991,306
Business-type activities:				
Electric system	168,110,899	198,748,366	-	-
Water system	27,481,058	48,912,059	-	7,334,728
Wastewater system	26,284,049	35,594,624	-	13,179,314
Solid waste	29,028,299	33,590,463	-	-
Airport	1,802,703	1,625,672	-	5,468
Total business-type activities	252,707,008	318,471,184	-	20,519,510
Total primary government	$ 411,106,373	$ 338,683,551	$ 3,697,696	$ 54,510,816

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit II**
STATEMENT OF ACTIVITIES (concluded)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Functions/Programs	**Governmental Activities**	**Business-type Activities**	**Total**
Primary government:			
Governmental activities:			
General government	**$ (29,744,763)**	**$ -**	**$ (29,744,763)**
Public safety	**(62,038,244)**	**-**	**(62,038,244)**
Public works	**7,963,834**	**-**	**7,963,834**
Parks and recreation	**(11,299,674)**	**-**	**(11,299,674)**
Interest expense	**(5,379,149)**	**-**	**(5,379,149)**
Total governmental activities	**(100,497,996)**	**-**	**(100,497,996)**
Business-type activities:			
Electric system	**-**	**30,637,467**	**30,637,467**
Water system	**-**	**28,765,729**	**28,765,729**
Wastewater system	**-**	**22,489,889**	**22,489,889**
Solid waste	**-**	**4,562,164**	**4,562,164**
Airport	**-**	**(171,563)**	**(171,563)**
Total business-type activities	**-**	**86,283,686**	**86,283,686**
Total primary government	**(100,497,996)**	**86,283,686**	**(14,214,310)**
General revenues:			
Taxes:			
Property tax	**67,185,610**	**-**	**67,185,610**
Sales tax	**38,270,026**	**-**	**38,270,026**
Franchise fees	**26,007,002**	**-**	**26,007,002**
Hotel occupancy tax	**2,733,720**	**-**	**2,733,720**
Beverage tax	**632,217**	**-**	**632,217**
Bingo tax	**11,244**	**-**	**11,244**
Investment income	**1,937,579**	**4,083,560**	**6,021,139**
Gain on sale of capital assets	**188,958**	**240,740**	**429,698**
Miscellaneous	**4,700,466**	**-**	**4,700,466**
Transfers	**(1,104,290)**	**1,104,290**	**-**
Total general revenues and transfers	**140,562,532**	**5,428,590**	**145,991,122**
Change in net position	**40,064,536**	**91,712,276**	**131,776,812**
Net position at beginning of year	**173,429,494**	**659,509,300**	**832,938,794**
Prior period adjustment (Note I.G.)	**(16,960,959)**	**(12,478,262)**	**(29,439,221)**
Net position at beginning of year - as restated	**156,468,535**	**647,031,038**	**803,499,573**
Net position at end of year	**$ 196,533,071**	**$ 738,743,314**	**$ 935,276,385**

The notes to the basic financial statements are an integral part of this statement. **(concluded)**

CITY OF DENTON, TEXAS **Exhibit III**
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash, cash equivalents and investments, at fair value	$ 25,135,009	$ 5,473,139	$ 207,857,751	$ 21,071,263	$ 259,537,162
Receivables, net of allowances for uncollectibles:					
Taxes	7,765,590	298,402	-	253,507	8,317,499
Accrued interest	125,135	26,751	1,015,932	102,983	1,270,801
Other	2,293,444	-	-	325,990	2,619,434
Interfund receivables	913,501	-	-	-	913,501
Prepaid Items	4,200	-	-	-	4,200
Due from other governments	1,575,685	-	552,264	1,780,186	3,908,135
Total assets	$ 37,812,564	$ 5,798,292	$ 209,425,947	$ 23,533,929	$ 276,570,732
LIABILITIES:					
Accounts payable	4,082,201	-	5,651,001	1,386,117	11,119,319
Retainage payable	-	-	2,023,167	4,463	2,027,630
Interfund payables	-	-	-	488,735	488,735
Other liabilities	395,792	-	-	-	395,792
Unearned revenues	-	-	75,625,967	22,750	75,648,717
Total liabilities	4,477,993	-	83,300,135	1,902,065	89,680,193
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - property taxes	578,330	268,809	-	-	847,139
Unavailable revenue - general services	1,923,754	-	-	-	1,923,754
Unavailable revenue - intergovernmental	515,102	-	552,264	950,337	2,017,703
Total deferred inflows of resources	3,017,186	268,809	552,264	950,337	4,788,596
FUND BALANCES:					
Restricted for:					
Debt service	-	5,529,483	-	-	5,529,483
Parks and recreation	-	-	3,589,640	5,564,014	9,153,654
Streets and drainage projects	-	-	78,935,300	3,767,616	82,702,916
Other capital projects	-	-	21,984,608	-	21,984,608
Other grants and purposes	-	-	-	7,158,843	7,158,843
Committed to:					
Streets	-	-	2,872,544	1,623,427	4,495,971
Parks and recreation	-	-	159,845	361,007	520,852
Other purposes	-	-	-	3,150,491	3,150,491
Assigned to:					
Streets and drainage projects	-	-	10,591,478	-	10,591,478
Use of reserves	1,398,704	-	-	-	1,398,704
Capital projects	-	-	7,440,133	-	7,440,133
Other purposes	-	-	-	59	59
Unassigned	28,918,681	-	-	(943,930)	27,974,751
Total fund balances	30,317,385	5,529,483	125,573,548	20,681,527	182,101,943
Total liabilities, deferred inflows of resources and fund balances	$ 37,812,564	$ 5,798,292	$ 209,425,947	$ 23,533,929	$ 276,570,732

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit IV**
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
AS OF SEPTEMBER 30, 2018

Total fund balances - governmental funds (Exhibit III)			**$ 182,101,943**
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Includes capital assets of internal service funds.			**310,971,424**
Certain receivables will be collected next year but are not available soon enough to pay for the current period's expenditures and therefore are reported as deferred inflows of resources in the funds.			**4,788,596**
Deferred outflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:			
Deferred loss on refundings	**$**	**1,590,477**	
Deferred pension balances		**22,563,323**	
Deferred other post-employment benefits contributions		**1,889,212**	**26,043,012**
An internal charge to business-type activities is not recorded at the fund level.			**(11,615,186)**
Several internal service funds are used by the City's management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets, liabilities, deferred outflows, and deferred inflows of the internal service funds are included with governmental activities. Internal service fund balances not included in other reconciling items listed above or below:			
Current assets	**$**	**29,964,631**	
Liabilities		**(11,650,090)**	**18,314,541**
Long-term balances, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Includes balances of internal service funds. Long-term liabilities and related balances at year-end consist of:			
General obligation bonds payable	**$**	**(127,647,935)**	
Certificates of obligation payable		**(81,200,000)**	
Bond (premiums)/discounts		**(12,515,724)**	
Accrued interest on the bonds		**(1,025,025)**	
Capital leases payable		**(4,171)**	
Net Pension Liability		**(53,542,658)**	
Total other post-employment benefits liability		**(27,625,731)**	
Compensated absences		**(12,578,005)**	**(316,139,249)**
Deferred inflows of resources are not reported in the governmental funds. Includes deferred outflows of internal service funds:			
Deferred pension balances			**(17,932,010)**
Total net position of governmental activities (Exhibit I)			**$ 196,533,071**

The notes to the basic financial statements are an integral part of this exhibit.

CITY OF DENTON, TEXAS **Exhibit V**
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES:					
Taxes	$ 83,621,197	$ 21,480,611	$ -	$ 3,601,206	$ 108,703,014
Licenses and permits	3,739,691	-	-	-	3,739,691
Franchise fees	13,263,247	-	-	12,743,755	26,007,002
Fines and forfeitures	3,523,068	-	-	2,016,725	5,539,793
Fees for services	7,223,541	-	-	3,313,276	10,536,817
Investment revenue	514,938	288,340	972,711	161,590	1,937,579
Intergovernmental	1,005,259	-	24,709,815	4,803,067	30,518,141
Miscellaneous	432,820	-	445,987	4,174,275	5,053,082
Total revenues	113,323,761	21,768,951	26,128,513	30,813,894	192,035,119
EXPENDITURES:					
Current:					
General government	27,725,208	-	359,295	4,715,672	32,800,175
Public safety	63,268,420	-	245,068	2,841,794	66,355,282
Public works	3,077,807	-	664,238	10,968,166	14,710,211
Parks and recreation	12,332,725	-	211,262	2,127,907	14,671,894
Capital outlay	623,931	-	52,776,160	1,429,858	54,829,949
Debt service:					
Principal retirement	50,052	15,379,645	-	-	15,429,697
Bond issuance costs	-	-	284,181	-	284,181
Interest and other charges	-	6,561,442	-	-	6,561,442
Total expenditures	107,078,143	21,941,087	54,540,204	22,083,397	205,642,831
Excess (deficiency) of revenues over (under) expenditures	6,245,618	(172,136)	(28,411,691)	8,730,497	(13,607,712)
OTHER FINANCING SOURCES (USES):					
Issuance of long-term debt	-	-	56,960,000	-	56,960,000
Premium on debt issuance	-	-	3,206,728	-	3,206,728
Insurance recoveries	-	-	18,135	-	18,135
Sale of capital assets	111,674	-	-	114,351	226,025
Transfers in	-	292,475	13,465,861	1,325,359	15,083,695
Transfers out	(7,810,680)	-	(9,040,938)	(4,898,058)	(21,749,676)
Total other financing sources (uses)	(7,699,006)	292,475	64,609,786	(3,458,348)	53,744,907
Net change in fund balances	(1,453,388)	120,339	36,198,095	5,272,149	40,137,195
Fund balance at beginning of year	31,770,773	5,409,144	89,375,453	15,409,378	141,964,748
Fund balances at end of year	$ 30,317,385	$ 5,529,483	$ 125,573,548	$ 20,681,527	$ 182,101,943

The notes to the basic financial statements are an integral part of this statement.

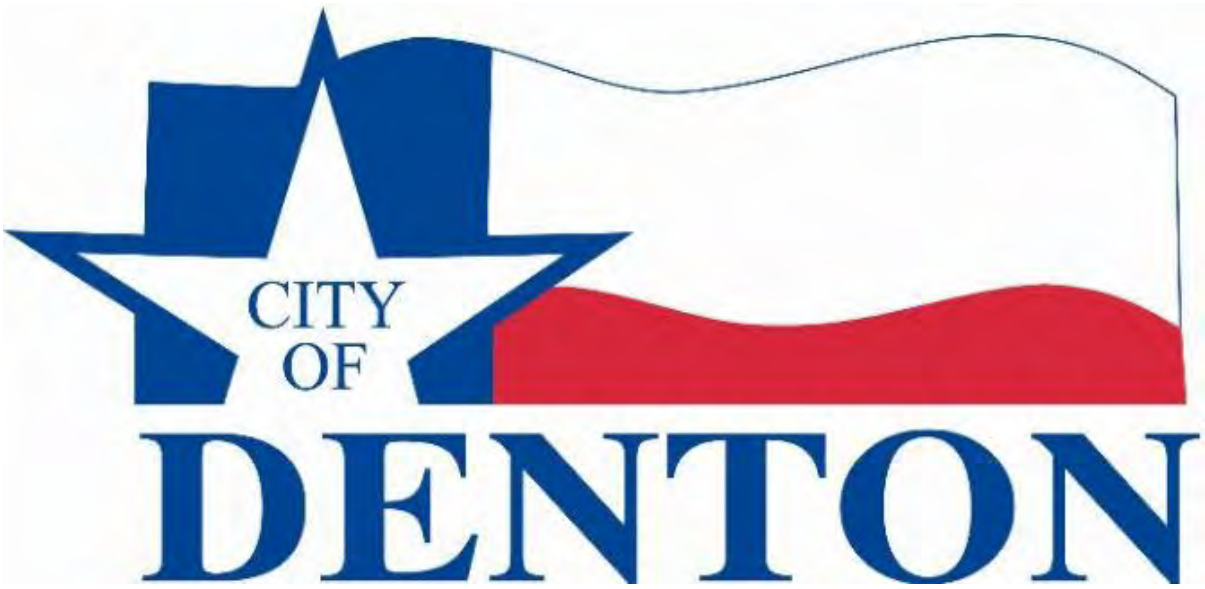
CITY OF DENTON, TEXAS **Exhibit VI**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - total governmental funds (Exhibit V)	**$**	**40,137,195**
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay ($54,829,949) is different from depreciation and retirement of assets ($17,708,595 = $19,598,153 total governmental minus $1,889,558 internal service portion) in the current period.		**37,121,354**
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Such amounts are recorded in the funds when considered available.		**(776,875)**
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to increase net position.		**6,387,365**
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which payments exceeded proceeds.		**(41,530,303)**
Fund-level financials report costs related to bonds as expenditures; however, these are deferred and amortized on the government-wide financials.		**(1,964,697)**
Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		**(1,594,484)**
Internal service funds are used by management to charge the costs of certain activities, such as insurance and technology services, to individual funds. A portion of the net revenue (expense) of certain internal service funds is reported with governmental activities. The amount reported with business-type activities is $2,860,212.		**2,284,981**
Change in net position of governmental activities (Exhibit II)	**$**	**40,064,536**

The notes to the basic financial statements are an integral part of this statement.


CITY
OF
DENTON

CITY OF DENTON, TEXAS **Exhibit VII**
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET TO ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Taxes	$ 81,737,350	$ 81,737,350	$ 83,621,197	$ -	$ 83,621,197	$ 1,883,847
Licenses and permits	2,731,477	2,731,477	3,739,691	-	3,739,691	1,008,214
Franchise fees	12,982,767	12,982,767	13,263,247	-	13,263,247	280,480
Fines and forfeitures	3,962,080	3,962,080	3,523,068	-	3,523,068	(439,012)
Fees for services	8,267,622	8,267,622	7,223,541	245,172	7,468,713	(798,909)
Investment revenue	530,000	530,000	514,938	-	514,938	(15,062)
Intergovernmental	1,072,488	1,072,488	1,005,259	-	1,005,259	(67,229)
Miscellaneous	244,900	244,900	432,820	-	432,820	187,920
Total revenues	111,528,684	111,528,684	113,323,761	245,172	113,568,933	2,040,249
EXPENDITURES:						
Current:						
General government	32,983,045	32,418,829	27,725,208	3,531,953	31,257,161	1,161,668
Public safety	60,529,697	60,468,126	63,268,420	(3,189,053)	60,079,367	388,759
Public works	3,163,436	3,163,436	3,077,807	(105,024)	2,972,783	190,653
Parks and recreation	12,413,217	12,371,873	12,332,725	(622,047)	11,710,678	661,195
Capital outlay	557,000	553,561	623,931	-	623,931	(70,370)
Debt service:						
Principal retirement	-	-	50,052	-	50,052	(50,052)
Total expenditures	109,646,395	108,975,825	107,078,143	(384,171)	106,693,972	2,281,853
Excess (deficiency) of revenues over (under) expenditures	1,882,289	2,552,859	6,245,618	629,343	6,874,961	4,322,102
OTHER FINANCING SOURCES (USES):						
Sale of capital assets	141,000	141,000	111,674	-	111,674	(29,326)
Transfer in	8,050,688	8,050,688	-	8,036,527	8,036,527	(14,161)
Transfers out	(10,041,596)	(16,425,648)	(7,810,680)	(8,665,870)	(16,476,550)	(50,902)
Total other financing sources (uses)	(1,849,908)	(8,233,960)	(7,699,006)	(629,343)	(8,328,349)	(94,389)
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	32,381	(5,681,101)	(1,453,388)	-	(1,453,388)	4,227,713
Fund balances at beginning of year	31,770,773	31,770,773	31,770,773	-	31,770,773	-
Fund balance at end of year	$ 31,803,154	$ 26,089,672	$ 30,317,385	$ -	$ 30,317,385	$ 4,227,713

Adjustments - Budgetary Basis are expenditures allocated to and reimbursed by other funds. These expenditures are recorded in the other funds' financials.

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2018

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
ASSETS:			
Current assets:			
Cash, cash equivalents and investments, at fair value	$ 75,847,789	$ 57,356,554	$ 43,360,226
Receivables, net of allowances:			
Accounts	11,865,040	2,329,302	1,912,250
Unbilled utility service	9,407,910	1,742,207	1,706,272
Accrued interest	370,716	280,305	211,927
Other	8,200,616	-	-
Interfund receivables	3,773,453	665,789	200,992
Merchandise inventory	-	-	-
Prepaid items	22,483,864	-	-
Other Assets	23,268,440	-	-
Total current assets	155,217,828	62,374,157	47,391,667
Noncurrent assets:			
Restricted assets:			
Cash, cash equivalents and investments, at fair value	62,225,935	28,229,258	11,157,452
Escrow deposit	-	50,000	-
Accrued interest	304,138	137,974	54,534
Total restricted assets	62,530,073	28,417,232	11,211,986
Capital assets, net of accumulated depreciation	663,909,790	264,834,724	224,755,233
Total noncurrent assets	726,439,863	293,251,956	235,967,219
Total assets	881,657,691	355,626,113	283,358,886
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on refunding	1,264,034	1,931,840	181,175
Deferred pension balances	4,103,391	1,910,362	1,461,334
Deferred other post employment benefit balances	359,431	261,823	209,146
Total deferred outflows of resources	5,726,856	4,104,025	1,851,655
LIABILITIES:			
Current liabilities:			
Accounts payable	5,998,229	713,040	1,012,430
Retainage payable	-	-	55,167
Claims payable	-	-	-
Compensated absences payable	1,183,104	547,217	370,240
Deposits	3,795,174	296,652	103,080
Accrued interest	-	-	-
Interfund payables	-	-	-
Unearned revenue	4,105,642	-	-
Payable from restricted assets:			
Accounts payable	787,083	52,744	40,938
Retainage payable	1,817,626	-	151,231
Accrued interest	5,585,394	452,384	221,418
Certificate and general obligation bonds	25,068,850	10,568,190	5,680,528
Total current liabilities paid from restricted assets	33,258,953	11,073,318	6,094,115
Total current liabilities	48,341,102	12,630,227	7,635,032

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	
ASSETS:				
Current assets:				
Cash, cash equivalents and investments, at fair value	$ 9,902,871	$ 3,621,573	$ 190,089,013	$ 18,553,351
Receivables, net of allowances:				
Accounts	1,629,299	48,426	17,784,317	-
Unbilled utility service	1,672,796	-	14,529,185	-
Accrued interest	48,399	17,701	929,048	89,310
Other	750	180,713	8,382,079	107,938
Interfund receivables	-	-	4,640,234	-
Merchandise inventory	-	-	-	6,583,598
Prepaid items	-	-	22,483,864	283,763
Deferred charges	-	-	23,268,440	-
Total current assets	13,254,115	3,868,413	282,106,180	25,617,960
Noncurrent assets:				
Restricted assets:				
Cash, cash equivalents and investments, at fair value	27,840,871	2,439,978	131,893,494	4,137,449
Escrow deposit	-	-	50,000	189,000
Accrued interest	136,076	11,926	644,648	20,222
Total restricted assets	27,976,947	2,451,904	132,588,142	4,346,671
Capital assets, net of accumulated depreciation	53,986,709	16,617,975	1,224,104,431	8,461,785
Total noncurrent assets	81,963,656	19,069,879	1,356,692,573	12,808,456
Total assets	95,217,771	22,938,292	1,638,798,753	38,426,416
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	131,508	-	3,508,557	19,679
Deferred pension balances	1,830,571	101,460	9,407,118	2,195,534
Deferred other post employment benefit balances	214,962	12,113	1,057,475	284,910
Total deferred outflows of resources	2,177,041	113,573	13,973,150	2,500,123
LIABILITIES:				
Current liabilities:				
Accounts payable	361,283	17,302	8,102,284	1,801,572
Retainage payable	-	-	55,167	-
Claims payable	-	-	-	2,422,363
Compensated absences payable	406,157	25,217	2,531,935	604,188
Deposits	209,998	11,625	4,416,529	-
Accrued interest	-	-	-	3,064
Interfund payables	-	-	-	5,065,000
Unearned revenue	-	-	4,105,642	-
Payable from restricted assets:				
Accounts payable	1,074,960	-	1,955,725	-
Retainage payable	236,602	-	2,205,459	-
Accrued interest	256,824	-	6,516,020	-
Certificate and general obligation bonds	7,739,673	-	49,057,241	295,127
Total current liabilities paid from restricted assets	9,308,059	-	59,734,445	295,127
Total current liabilities	10,285,497	54,144	78,946,002	10,191,314

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2018

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
Noncurrent liabilities:			
General obligation bonds payable	$ 38,435,702	$ 48,013,078	$ 9,880,202
Certificates of obligation	349,490,682	30,010,114	27,543,809
Revenue bonds payable, net of premium/discount	240,528,922	-	-
Compensated absences payable	250,156	59,342	61,867
Claims payable	-	-	-
Net pension liability	10,930,883	5,086,371	4,091,228
Total other post-employment benefits liability	5,105,066	3,818,223	3,059,980
Landfill closure/postclosure costs	-	-	-
Total noncurrent liabilities	644,741,411	86,987,128	44,637,086
Total liabilities	693,082,513	99,617,355	52,272,118
DEFERRED INFLOWS OF RESOURCES:			
Deferred pension balances	3,880,816	1,791,745	1,333,032
Total deferred inflows of resources	3,880,816	1,791,745	1,333,032
NET POSITION:			
Net investment in capital assets	116,940,015	195,658,116	188,854,293
Restricted for debt service	2,683,644	-	-
Restricted for capital acquisition	-	10,884,298	4,189,562
Unrestricted	70,797,559	51,778,624	38,561,536
Total net position	$ 190,421,218	$ 258,321,038	$ 231,605,391

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit VIII**
STATEMENT OF NET POSITION (concluded)
PROPRIETARY FUNDS
AS OF SEPTEMBER 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	
Noncurrent liabilities:				
General obligation bonds payable	$ 3,526,621	$ -	$ 99,855,603	$ 251,533
Certificates of obligation	38,305,175	-	445,349,780	120,641
Revenue bonds payable, net of premium/discount	-	-	240,528,922	-
Compensated absences payable	112,003	2,355	485,723	85,739
Claims payable	-	-	-	2,361,155
Net pension liability	5,071,047	342,260	25,521,789	5,704,146
Total other post-employment benefits liability	3,114,898	176,985	15,275,152	4,140,550
Landfill closure/postclosure costs	10,911,388	-	10,911,388	-
Total noncurrent liabilities	61,041,132	521,600	837,928,357	12,663,764
Total liabilities	71,326,629	575,744	916,874,359	22,855,078
DEFERRED INFLOWS OF RESOURCES:				
Deferred pension balances	1,682,800	81,023	8,769,416	2,095,662
Total deferred inflows of resources	1,682,800	81,023	8,769,416	2,095,662
NET POSITION:				
Net investment in capital assets	22,627,106	16,617,975	540,697,505	7,814,163
Restricted for debt service	-	-	2,683,644	-
Restricted for capital acquisition	-	2,451,904	17,525,764	4,157,671
Unrestricted	1,758,277	3,325,219	166,221,215	4,003,965
Total net position	$ 24,385,383	$ 22,395,098	$ 727,128,128	$ 15,975,799
Adjustment to reflect inclusion of internal service fund activities related to enterprise funds.			11,615,186	
Net position of business-type activities (Exhibit I)			$ 738,743,314	

The notes to the basic financial statements are an integral part of this statement. **(concluded)**

CITY OF DENTON, TEXAS **Exhibit IX**
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
OPERATING REVENUES:			
Utility services	$ 193,490,477	$ 39,820,284	$ 30,092,561
Charges for goods and services	-	-	-
Other fees	5,257,889	1,189,712	1,536,921
Miscellaneous	-	-	-
Total operating revenues	198,748,366	41,009,996	31,629,482
OPERATING EXPENSES:			
Operating expenses before depreciation	141,793,521	17,722,526	17,922,144
Depreciation	14,628,588	8,112,925	7,950,294
Total operating expenses	156,422,109	25,835,451	25,872,438
Operating income (loss)	42,326,257	15,174,545	5,757,044
NON-OPERATING REVENUES (EXPENSES):			
Investment revenue	2,112,874	871,500	615,293
Interest expense and fiscal charges	(12,795,374)	(2,353,869)	(961,984)
Impact fee revenue	-	7,902,063	3,965,142
Gain (loss) on disposal of capital assets	(100,478)	73,312	7,823
Gas well revenues	-	-	-
Other non-operating revenues (expenses)	-	162,872	63,638
Total non-operating revenues (expenses)	(10,782,978)	6,655,878	3,689,912
Income (loss) before contributions and transfers	31,543,279	21,830,423	9,446,956
CONTRIBUTIONS AND TRANSFERS:			
Capital contributions	-	7,334,728	13,179,314
Transfers in	774,682	67,904	386,833
Transfers out	(2,380,063)	(1,132,562)	(1,206,452)
Total contributions and transfers	(1,605,381)	6,270,070	12,359,695
Change in net position	29,937,898	28,100,493	21,806,651
Net position at beginning of year - as previously stated	166,844,553	232,480,701	211,710,707
Prior period adjustment (Note I.G.)	(6,361,233)	(2,260,156)	(1,911,967)
Net position at beginning of year	160,483,320	230,220,545	209,798,740
Total net position at end of year	$ 190,421,218	$ 258,321,038	$ 231,605,391

(continued on the following page)

The notes to the basic financial statements are an integral part of this statement.

CITY OF DENTON, TEXAS **Exhibit IX**
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION (concluded)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES:				
Utility services	$ 33,229,712	$ -	$ 296,633,034	$ -
Charges for goods and services	-	1,069,521	1,069,521	69,276,589
Other fees	360,751	-	8,345,273	-
Miscellaneous	-	114,238	114,238	1,108,208
Total operating revenues	33,590,463	1,183,759	306,162,066	70,384,797
OPERATING EXPENSES:				
Operating expenses before depreciation	22,663,253	1,228,687	201,330,131	69,138,534
Depreciation	6,305,288	592,627	37,589,722	1,889,558
Total operating expenses	28,968,541	1,821,314	238,919,853	71,028,092
Operating income (loss)	4,621,922	(637,555)	67,242,213	(643,295)
NON-OPERATING REVENUES (EXPENSES):				
Investment revenue	420,944	62,949	4,083,560	200,227
Interest expense and fiscal charges	(1,269,087)	-	(17,380,314)	(36,542)
Impact fee revenue	-	-	11,867,205	-
Gain (loss) on disposal of capital assets	159,605	-	140,262	10,236
Gas well revenues	-	441,913	441,913	-
Other non-operating revenues (expenses)	606,312	603	833,425	-
Total non-operating revenues (expenses)	(82,226)	505,465	(13,949)	173,921
Income (loss) before contributions and transfers	4,539,696	(132,090)	67,228,264	(469,374)
CONTRIBUTIONS AND TRANSFERS:				
Capital contributions	-	5,468	20,519,510	52,876
Transfers in	738,624	4,951,534	6,919,577	5,702,000
Transfers out	(1,046,215)	(49,995)	(5,815,287)	(140,309)
Total contributions and transfers	(307,591)	4,907,007	21,623,800	5,614,567
Change in net position	4,232,105	4,774,917	88,852,064	5,145,193
Net position at beginning of year - as previously stated	21,993,059	17,725,306	650,754,326	13,603,432
Prior period adjustment (Note I.G.)	(1,839,781)	(105,125)	(12,478,262)	(2,772,826)
Net position at beginning of year	20,153,278	17,620,181	638,276,064	10,830,606
Total net position at end of year	$ 24,385,383	$ 22,395,098	$ 727,128,128	$ 15,975,799

Change in fund net position of proprietary funds	88,852,064
Adjustment to reflect inclusion of internal service fund activities related to enterprise funds.	2,860,212
Change in net position of business-type activities (Exhibit II)	$ 91,712,276

The notes to the basic financial statements are an integral part of this statement. **(concluded)**

CITY OF DENTON, TEXAS **Exhibit X**
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities - Enterprise Funds		
	Utility System		
	Electric Fund	Water Fund	Wastewater Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 182,288,371	$ 41,265,345	$ 31,115,489
Cash paid to employees for services	(16,004,727)	(9,958,034)	(7,354,731)
Cash paid to suppliers	(134,857,747)	(8,030,078)	(9,997,408)
Net cash provided (used) by operating activities	31,425,897	23,277,233	13,763,350
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers out	(1,665,639)	(1,132,562)	(1,206,452)
Transfers in	-	67,904	(319,698)
Principal payments on non-capital debt	(3,825,000)	-	-
Interest and fiscal charges on non-capital debt	(2,216,062)	-	-
Net cash provided (used) by noncapital financing activities:	(7,706,701)	(1,064,658)	(1,526,150)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from issuance of debt	749,687	333,351	444,228
Principal payments on capital debt	(13,290,000)	(8,810,000)	(5,110,000)
Interest and fiscal charges	(15,664,816)	(3,448,451)	(1,461,884)
Principal payments under capital lease obligation	-	-	-
Proceeds from gas wells	-	-	-
Proceeds from impact fees	-	7,902,063	3,965,142
Proceeds from capital contributions and transfers in	-	-	-
Proceeds from sale of capital assets	790,976	73,312	24,562
Acquisition and construction of capital assets	(131,806,056)	(9,281,110)	(10,405,894)
Net cash provided (used) by capital financing activities	(159,220,209)	(13,230,835)	(12,543,846)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale and maturities of investment securities	180,284,571	24,573,395	21,720,906
Purchase of investment securities	(35,597,206)	(15,966,399)	(11,008,438)
Interest received on investments	2,632,133	787,334	587,867
Net cash provided (used) by investing activities	147,319,498	9,394,330	11,300,335
Net increase in cash and cash equivalents	11,818,485	18,376,070	10,993,689
Cash and cash equivalents at beginning of year	32,502,982	9,101,334	6,506,611
Cash and cash equivalents at end of year	44,321,467	27,477,404	17,500,300
Investments, at fair value (Note IV.A.)	93,752,257	58,108,408	37,017,378
Cash, cash equivalents and investments, at fair value	$ 138,073,724	$ 85,585,812	$ 54,517,678
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ 42,326,257	$ 15,174,545	$ 5,757,044
Adjustments:			
Depreciation expense	14,628,588	8,112,925	7,950,294
Decrease (Increase) in receivables	(10,180,671)	299,689	(528,183)
Decrease (Increase) in interfund receivables	(59,400)	(44,340)	14,190
Decrease in inventories	-	-	-
Increase in prepaid items	(427,628)	-	-
Decrease in other assets	3,661,975	-	-
Increase (Decrease) in accounts payable	(12,589,610)	(481,918)	398,933
Decrease in unearned revenue	(6,219,924)	-	-
Increase (Decrease) in compensated absences payable	41,662	17,239	9,977
Decrease in net municipal pension balances	(71,763)	(33,110)	(24,563)
Increase in other post employment benefit balances	316,411	232,203	185,658
Increase in closure/postclosure liability	-	-	-
Decrease in interfund payables	-	-	-
Total adjustments	(10,900,360)	8,102,688	8,006,306
Net cash provided (used) by operating activities	$ 31,425,897	$ 23,277,233	$ 13,763,350
NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:			
Decrease in fair value of investments	(242,665)	(289,332)	(175,354)
Increase in equity due to non-cash transfers	60,258	-	-
Capital asset contributions	-	7,334,728	13,179,314

The notes to the basic financial statements are an integral part of this statement.

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit X**
STATEMENT OF CASH FLOWS (concluded)
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Business-type Activities - Enterprise Funds			Governmental Activities
	Solid Waste Fund	Airport Fund	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 33,536,259	$ 1,184,467	$ 289,389,931	$ 70,580,504
Cash paid to employees for services	(10,308,023)	(485,115)	(44,110,630)	(12,447,220)
Cash paid to suppliers	(10,948,184)	(743,754)	(164,577,171)	(55,734,320)
Net cash provided (used) by operating activities	12,280,052	(44,402)	80,702,130	2,398,964
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers out	(1,046,215)	(49,995)	(5,100,863)	(140,309)
Transfers in	738,624	91,534	578,364	167,000
Principal payments on non-capital debt	-	-	(3,825,000)	-
Interest and fiscal charges on non-capital debt	-	-	(2,216,062)	-
Net cash provided (used) by noncapital financing activities:	(307,591)	41,539	(10,563,561)	26,691
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from issuance of debt	-	-	1,527,266	-
Principal payments on capital debt	(7,240,273)	-	(34,450,273)	(285,082)
Interest and fiscal charges	(2,111,559)	-	(22,686,710)	(41,446)
Principal payments under capital lease obligation	-	-	-	(443,839)
Proceeds from gas wells	-	437,296	437,296	-
Proceeds from impact fees	-	-	11,867,205	-
Proceeds from capital contributions and transfers in	-	4,860,000	4,860,000	5,535,000
Proceeds from sale of capital assets	1,312,607	-	2,201,457	-
Acquisition and construction of capital assets	(9,153,798)	(2,670,968)	(163,317,826)	(2,631,724)
Net cash provided (used) by capital financing activities	(17,193,023)	2,626,328	(199,561,585)	2,132,909
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale and maturities of investment securities	19,360,538	2,847,653	248,787,063	7,763,587
Purchase of investment securities	(7,551,614)	(3,980,282)	(74,103,939)	(7,184,632)
Interest received on investments	423,953	48,262	4,479,549	169,799
Net cash provided (used) by investing activities	12,232,877	(1,084,367)	179,162,673	748,754
Net increase in cash and cash equivalents	7,012,315	1,539,098	49,739,657	5,307,318
Cash and cash equivalents at beginning of year	5,103,780	406,652	53,621,359	2,167,005
Cash and cash equivalents at end of year	12,116,095	1,945,750	103,361,016	7,474,323
Investments, at fair value (Note IV.A.)	25,627,647	4,115,801	218,621,491	15,216,477
Cash, cash equivalents and investments, at fair value	$ 37,743,742	$ 6,061,551	$ 321,982,507	$ 22,690,800
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ 4,621,922	$ (637,555)	$ 67,242,213	$ (643,295)
Adjustments:				
Depreciation expense	6,305,288	592,627	37,589,722	1,889,558
Decrease (Increase) in receivables	(103,778)	708	(10,512,235)	195,707
Decrease (Increase) in interfund receivables	-	-	(89,550)	-
Decrease in inventories	-	-	-	959,586
Increase in prepaid items	-	-	(427,628)	(86,581)
Decrease in other assets	-	-	3,661,975	-
Increase (Decrease) in accounts payable	491,241	(10,929)	(12,192,283)	(74,722)
Decrease in unearned revenue	-	-	(6,219,924)	-
Increase (Decrease) in compensated absences payable	(91,522)	1,467	(21,177)	(19,930)
Decrease in net municipal pension balances	(31,034)	(1,471)	(161,941)	(38,790)
Increase in other post employment benefit balances	190,299	10,751	935,322	252,431
Increase in closure/postclosure liability	897,636	-	897,636	-
Decrease in interfund payables	-	-	-	(35,000)
Total adjustments	7,658,130	593,153	13,459,917	3,042,259
Net cash provided (used) by operating activities	$ 12,280,052	$ (44,402)	$ 80,702,130	$ 2,398,964
NONCASH CAPITAL, INVESTING AND FINANCING ACTIVITIES:				
Decrease in fair value of investments	(113,874)	(23,479)	(844,704)	(78,636)
Increase (Decrease) in equity due to non-cash transfers	-	-	60,258	-
Capital asset contributions	-	5,468	20,519,510	52,876

The notes to the basic financial statements are an integral part of this statement. **(concluded)**

CITY OF DENTON, TEXAS **Exhibit XI**
STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
AS OF SEPTEMBER 30, 2018

	Agency Fund
ASSETS:	
Cash, cash equivalents and investments, at fair value	**$ 189,999**
Total assets	**$ 189,999**
LIABILITIES:	
Accounts payable	**189,999**
Total liabilities	**$ 189,999**

The notes to the basic financial statements are an integral part of this statement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Denton is a municipal corporation governed by an elected seven-member council consisting of a mayor elected at large and six councilpersons, four representing specific geographical districts and two elected at large. The City receives funding from state and federal government sources and must comply with the requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity," as defined in pronouncements by the Governmental Accounting Standards Board (GASB), as council members are elected by the public and have decision-making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

The financial statements of the City have been prepared to conform to accounting principles generally accepted (GAAP) in the United States of America as applicable to state and local governments. Generally accepted accounting principles for local governments include principles prescribed by GASB, the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

A. Reporting Entity

An elected seven-member council consisting of a mayor and six councilpersons govern the City. As required by accounting principles generally accepted in the United States of America, these financial statements present the City (the primary government) and its component units, which are entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations, and so data from these units are combined with data of the primary government. A discretely presented component unit, on the other hand, is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City. The City had no component units, discretely presented or blended, at September 30, 2018.

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The reporting focus is either the City as a whole (government-wide financial statements) or major individual funds (within the fund financial statements). The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (public safety, public works, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; (2) grants and contributions that are restricted to meeting operational requirements of a particular function or segment; and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, sales taxes, franchise fees, interest income, etc.).

Separate fund financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category and for the governmental and enterprise funds combined)

for the determination of major funds. Non-major funds are combined in a column in the fund financial statements.

Internal service funds, which traditionally provide services primarily to other funds of the government, are presented in summary form as part of the proprietary fund financial statements. The financial statements of internal service funds are allocated (based on the percentage of goods or services provided) between the governmental and business-type activities when presented at the government-wide level.

The City's fiduciary funds are presented in the fund financial statements. By definition these assets are being held for the benefit of a third party (other local governments, individuals, etc.) and cannot be used to address activities or obligations of the government, and as such, these funds are not incorporated into the government-wide statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category). Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund-level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized, and susceptible to accrual, as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Any amounts collected beyond the 60 days are recorded as deferred revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City reports the following major governmental funds:

The general fund is the City's primary operating fund. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid general operating costs, fixed charges and capital improvement costs that are not paid through other funds.

The debt service fund accounts for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt, paid primarily by taxes levied by the City. On a budgetary-basis, the debt service fund also accounts for pass-through debt service payments from the self-supporting proprietary funds.

The capital projects fund accounts for financial resources used for the acquisition or construction of capital other than those recorded in the enterprise funds and internal service funds.

Other governmental funds are a summarization of all of the non-major governmental funds.

The City reports the following major proprietary funds:

The City utility system is made up of three separate funds as follows:

The electric fund accounts for electrical utility services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

The water fund accounts for water utility services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

The wastewater fund accounts for sewer and storm water services to the residents and commercial establishments of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

The City provides additional services through the following funds:

The solid waste fund accounts for the provision of solid waste services to the residents of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

The airport fund accounts for the airport services to the public and is funded through operational and gas well revenues. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, and finance.

The City additionally reports the following funds:

Internal service funds are used to account for the financing of materials and services provided by one department of the City to other departments of the City on a cost-reimbursement basis.

Agency funds are used to account for the payment of developers' escrow funds and other similar liabilities. The City holds the assets in an agency capacity for individuals, private organizations or other governments.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's electric, water, wastewater, solid waste, and airport funds are charges to customers for services. Operating expenses for the enterprise funds and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The City recognizes, as an asset or a liability, the difference between the electric fund's energy cost adjustment (ECA) revenue collected and related costs.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgetary Information

The City Council follows these procedures, as prescribed by City Charter, in establishing the budgets reflected in the financial statements:

1. Within the time period required by law, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted prior to the adoption of the budget in order to obtain taxpayer comments.

3. The annual budget adopted by the City Council covers the general fund, non-major special revenue funds (Recreation Fund, Police Confiscation Fund, Tourist and Convention Fund, Gas Well Revenues Fund, Street Improvement Fund, and the Citizens' Park Trusts), the debt service fund, the enterprise funds, and internal service funds. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year. The basic financial statements reflect the legal level of control, (i.e. the level at which expenditures cannot legally exceed the appropriated amount) which is established at the total fund level as approved by City Council.

4. The City Charter provides for the City Manager to transfer any part of the unencumbered appropriation balance or the entire balance thereof between programs or general classifications of expenditures within an office, department, agency or organizational unit. (The City Council defines an organizational unit as set forth in Article VIII, Section 8.07 of the City Charter, to be a fund that has been appropriated by the City Council.) City Council approval is not required up to the fund level. The Charter also provides that at any time during the year, at the request of the City Manager, City Council may by resolution transfer any part of the unencumbered appropriation balance or the entire balance thereof from one office, department, agency, or organizational unit to another, as well as make any increases in fund appropriations.

Budgets are adopted on a basis for the governmental funds and the budgeted special revenue funds that is generally consistent with generally accepted accounting principles. Budgets for enterprise funds are prepared on the full accrual basis, except certain noncash transactions such as depreciation expense and amortization on debt issuance costs where it is not budgeted, and debt service payments where it is budgeted. Also, during the budgetary process, amounts are included in all fund budgets to recognize administrative transfers between funds for goods or services. These amounts are not included in the reporting of actual activity for the funds. For funds reporting required budget-to-actual comparisons, these administrative transfers are included as adjustments – budgetary basis.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services (i.e., purchase orders and contracts). While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated against the subsequent year's budget, reducing the available appropriations for additional expenditures.

E. Assets, Liabilities and Net Position or Equity

1. Cash, cash equivalents and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments are carried at fair value, except for the position in local government investment pools. Fair value is determined as the price at which two willing parties would complete an exchange.

The City uses a pooled cash and investment fund to hold and account for all of the City's investments. For financial reporting purposes, the investment balances in the pooled fund are allocated back to the individual funds based on their respective share of the pooled total. Interest earned on investments is also allocated back and recorded directly to the individual funds on a monthly basis.

2. Receivables

Outstanding balances between funds are reported as "interfund receivables/payables." Any residual balances between governmental activities and business-type activities are reported in the government-wide statements as "internal balances."

Trade, property tax receivables, and municipal court receivables are shown net of an allowance for uncollectible accounts. The City accrues amounts for utility services provided in September, but not billed at September 30, 2018.

3. Inventories

Inventories of supplies are maintained at the City warehouse for use by all City funds and are accounted for by the consumption method. Cost is determined using a moving average method. No inventories exist in the governmental fund types.

4. Prepaid items

Certain costs applicable to future accounting periods are recorded as prepaid items. In prior fiscal years the City prepaid certain contractual obligations to the Texas Municipal Power Agency (TMPA) relating to the cost of TMPA providing energy to the City. The benefit from the prepayment is being amortized over the benefit period of 15 years, of which 6.5 years is remaining in the electric fund. See note V.E. *Agreement with TMPA* for further information regarding TMPA.

5. Other Assets

Certain costs applicable to future accounting periods are recorded as other assets. In the prior fiscal year the City impaired its TMPA prepaid purchase power due to a change in seasonality generation. The impaired amount was recorded as an Other Asset to be amortized over 7.5 years in the electric fund, of which 6.5 years is remaining in the electric fund. See note V.E. *Agreement with TMPA* for further information regarding TMPA.

6. Restricted assets

Certain proceeds of the City's governmental and proprietary fund general obligation bonds and certificates of obligation, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Assets collected from impact fees are limited by state statute in use and also shown as restricted on the balance sheet of the Water and Wastewater funds.

7. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks and similar items) are reported in applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary fund financial statements. The City defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-type activities and enterprise funds is included as part of the capitalized value of the assets constructed. For 2018, net interest capitalization of $10,055,948 was recorded for electric fund projects, $382,480 for water fund projects, $428,840 for wastewater fund projects, and $210,859 for solid waste fund projects.

Capital assets are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings	40
Infrastructure	20 – 40
General improvements	10
Machinery and equipment	10 – 20
Furniture and office equipment	10
Computer equipment/software	3 – 10
Plant and equipment	5
Underground pipe	40
Water storage rights	50 – 100
Water recreation rights	50
Communication equipment	5
Vehicles	3 – 10

Renewals and betterments of property and equipment are capitalized, whereas normal repair and maintenance are charged to expense as incurred.

8. Compensated absences

The City allows full-time employees to accumulate unused vacation up to 320 hours (480 for Civil Service Fire employees.) Upon termination, any accumulated vacation time will be paid to an employee. Generally, sick leave is not paid upon termination except for civil service fire fighters and police officers. Firefighters and police officers accumulate for payout unused sick leave up to a maximum of 1080 hours and 720 hours, respectively. All other employees are paid only upon illness while employed by the City. Accumulated vacation and sick leave is accrued when incurred in the government-wide, proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements but have not been paid this amount at the end of the fiscal year. The General Fund and Other Governmental Funds are used to record any payout expenditures of the governmental funds' employees and related liability, while proprietary fund payouts for their employees are recorded as reductions to the liabilities in those funds.

9. Arbitrage

Arbitrage involves the investment of the proceeds from the sale of tax-exempt bonds in taxable instruments and securities authorized by the Public Funds Investment Act (Texas Government Code, Chapter 2256) that yield a higher rate, resulting in interest revenue in excess of interest costs. Federal tax code requires that these excess earnings be rebated to the federal government. The Capital Projects Fund has been used in prior years to liquidate governmental funds' related liability. There were no arbitrage payments in the current fiscal year.

10. Pensions

For purposes of measuring the net pension liability, pension-related deferred outflows and inflows of resources, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and the Firemen's Relief and Retirement Fund (FRRF) and additions to/deductions from TMRS's and the FRRF's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and the FRRF. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Other post-employment benefits

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefit Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year rather than prefunding. Benefit payments are treated as being equal to the City's yearly contribution for retirees. For purposes of measuring the total SDBF OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total SDBF liability and additions to/deductions from the City's total SDBF liability have been determined on the same basis as they are reported by TMRS. The SDBF expense and deferred (inflows)/outflows of resources related to SDBF, primarily result from changes in the components of the total SDBF liability. Most changes in the total SDBF liability will be included in SDBF expense in the period of the change. For example, changes in the total SDBF liability resulting from current-period service cost, interest on the Total OPEB Liability, and changes of benefit terms are required to be included in SDBF expense immediately. Changes in the total SDBF liability that have not been included in SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to SDBF.

The City provides post-employment medical care (Medical OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses, and their dependents through the City's group health insurance plans. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree healthcare costs are higher than active employee healthcare costs. By the City not contributing anything toward the plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City also contributes up to $200 per month, based on years of service, toward the cost of retiree coverage. As an irrevocable trust has not been established, the plan is not accounted for as a trust fund. For this purpose, plan contributions are recognized in the period that the direct and indirect subsidies are paid by the City. Total OPEB liability, OPEB-related deferred outflows and inflows of resources, and OPEB expense is based on the actuarial measurement dates.

12. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Gain/loss on refunding are reported as deferred outflow/inflow and recognized as a component of interest expense over the remaining life of the old debt or life of the new debt, whichever is shorter.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

13. Fund equity

The City follows GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and in accordance with the statement, the classifications of governmental fund balances are presented as follows:

> *Nonspendable fund balance*s – includes amounts not in a spendable form or are legally or contractually required to be maintained intact. Examples include inventory or endowments.

Restricted fund balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, creditors, grantors, and contributors or through enabling legislation.

Committed fund balance – includes amounts that can be used only for the specific purposes determined by the City Council through an ordinance and may only be changed or lifted through another ordinance. The ordinance must either adopt or rescind the commitment, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

Assigned fund balance - comprises amounts intended to be used for specific purposes. Intent can be expressed by the City Council, or per the policy adopted by an ordinance by the City Council, the City Manager or the City Manager's designee (assistant city manager) may also make an assignment. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed and, at a minimum, is intended for the purpose of that fund.

Unassigned fund balance – is the residual classification of the general fund and includes all amounts not constrained in the other classifications. Unassigned amounts are technically available for any purpose. The General Fund is the only fund to report a positive unassigned fund balance amount. However, other governmental funds may report a negative unassigned fund balance as necessary if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned for those purposes.

When multiple categories of fund balance are available for expenditure and approved for use by the City Council, the City will start with the most restricted category and spend those funds first before moving down to the next category with available funds. Normally this would result in the use of restricted, then committed, then assigned, and lastly, unassigned fund balance.

14. Minimum fund balance policy

It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund equal to 20% of budgeted expenditures. An additional 5% resiliency reserve (25% combined total) may be maintained to safeguard against unusual financial circumstances or economic downturns.

15. Net position

Net position represents the difference between assets, deferred inflows, deferred outflows, and liabilities. Net investment in capital assets consists of capital assets net of accumulated depreciation and the outstanding balances of any borrowing spent for the acquisition, construction or improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

16. Deferred outflows and inflows of resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position applying to a future period and will not be recognized as an outflow of resources, either expenses or expenditures, until that time. The City reports the following items qualifying for this category:

- Deferred charges on refunding reported in the statements of net position - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.
- Deferred pension deficit earnings reported in the statement of net position – A deferred charge is recorded for the difference between actual investment earnings and expected investment earnings during the period and is amortized over future periods.

- Deferred pension actuarial losses reported in the statement of net position – A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.
- Deferred pension and other postemployment benefit plan contributions reported in the statement of net position – A deferred charge is recorded for pension contribution amounts paid by the City after the current year's measurement date (December 2017) and will be fully recognized in the next period on the next measurement date (December 2018).
- Deferred pension and other postemployment benefit plan actuarial assumption changes – A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position applying to a future period and will not be recognized as an inflow of resources, or revenues, until that time. The City reports the following items qualifying for reporting in this category:

- Deferred pension excess earnings reported in the statement of net position – A deferred charge is recorded for the difference between actual investment earnings and expected investment earnings during the period and is amortized over future periods.
- Deferred pension actuarial gains reported in the statement of net position – A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.
- Deferred pension actuarial assumption changes – A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.
- Deferred unavailable revenues reported on the balance sheet of the governmental funds – A deferred amount is recorded for the billed revenues not yet collected or available. These amounts are deferred and recognized as inflow of resources in the period the amounts become available.

F. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

G. Prior Period Adjustments

Two adjustments have been recorded to the beginning net position. The details of the adjustment are as follows:

	Net Position at September 30, 2017, as Previously Reported	Change in Reporting for Other Post-Employment Benefits	Change in Depreciation of Certain Electric Assets	Net Position at September 30, 2017, as Restated
Government-Wide Information				
Governmental Activities	$ 173,429,494	$ (16,960,959)	$ -	$ 156,468,535
Business-Type Activities	659,509,300	(9,351,546)	(3,126,716)	647,031,038
Fund Level Information				
Electric	166,844,553	(3,234,517)	(3,126,716)	160,483,320
Water	232,480,701	(2,260,156)	-	230,220,545
Wastewater	211,710,707	(1,911,967)	-	209,798,740
Solid Waste	21,993,059	(1,839,781)	-	20,153,278
Airport	17,725,306	(105,125)	-	17,620,181
Materials Management	1,235,031	(439,184)	-	795,847
Fleet Services	3,783,323	(417,494)	-	3,365,829
Risk Retention	863,295	(225,385)	-	637,910
Technology Services	3,980,703	(1,053,981)	-	2,926,722
Engineering Services	(1,102,261)	(636,782)	-	(1,739,043)

One adjustment was a decrease to the net position balance of $3,126,716 in the business-type activities in the electric fund due to an adjustment of accumulated depreciation on certain transmission assets. The prior period adjustment is recognizing depreciation expense on assets put into service before fiscal year 2018 and reducing the net value of these assets. The second adjustment was a decrease in fund-level net position for certain proprietary funds, governmental activities net position in the government-wide statement of activities, and business-type activities net position in the government-wide statement of activities due to the implementation of GASB Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pension [OPEB]".* This resulted in a government-wide net decrease in net position of $26,312,505 due to recording (a) the full OPEB liability, a decrease in net position of $26,930,702, and (b) the related deferred outflows for OPEB contributions, an increase in net position of $618,197. See footnotes V.B. *Post-employment Benefits Other than Pensions (OPEB)* and V.I. *New Accounting Pronouncements* for additional GASB information.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

An element of that reconciliation states, "Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which payments exceeded proceeds." The details of this ($41,530,303) difference are as shown on the following page:

Debt issued or incurred:	
Issuance of general obligation debt	$(19,235,000)
Issuance of certificates of obligation	(37,725,000)
Principal repayments:	
General obligation debt principal retirement	9,604,645
Certificates of obligation principal retirement	5,775,000
Lease obligations principal retirement	50,052
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position of governmental activities	$(41,530,303)

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position." The details of this $6,387,365 difference are as follows:

Net effect of transactions involving asset retirements/disposals	$(1,230,881)
Capital assets transferred to business-type activities as capital contributions	(502,742)
Donations of capital assets increase net position in the statement of activities but do not appear in the governmental funds because they are not financial resources	8,120,988
Net adjustment to increase net changes in fund balances - total governmental funds	$ 6,387,365

Another element of that reconciliation states, "Certain expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of the ($1,594,484) difference are as follows:

Compensated absences	$ (506,816)
Net pension liability	13,749,867
Municipal pension deferred actuarial losses	(16,351,710)
Municipal pension deferred contributions	475,504
Municipal pension deferred assumption changes	(196,113)
Municipal pension deferred economic differences	2,718,866
Total OPEB liability	(2,695,301)
OPEB deferred actuarial losses	-
OPEB deferred contributions	146,404
OPEB deferred assumption changes	1,124,553
OPEB deferred economic differences	-
Accrued interest	(59,738)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	$(1,594,484)

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Equity

The Criminal Justice fund had deficit fund balances of ($53,372) at September 30, 2018. The deficit was a result of reimbursement timing and clears in fiscal year 2018-2019. The Risk Retention and Engineering Services internal service funds had deficit net positions of ($294,023) and ($1,761,056), respectively, due to the implementation of GASB Statement No. 68 "*Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27"* and GASB Statement No.75 *"Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"(OPEB)* which resulted in an increase in the net pension liability in the prior year and the total OPEB liability in the current year.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

In order to facilitate effective cash management practices, the operating cash of all funds is pooled into a common account for the purpose of increasing income through combined investment activities. At year-end, the City had $194,020,041 in cash and cash equivalents of which $189,999 is included in the agency funds and $12,318 in petty cash.

The Public Funds Investment Act (Texas Government Code) authorizes the City to invest in obligations of the U.S. Treasury, U.S. agencies, fully collateralized repurchase agreements, public fund investment pools, SEC-registered no-load money market mutual funds, municipal securities of any state rated A or better, certificates of deposit (fully collateralized, insured, and standby letters of credit backed), and commercial paper rated not less than A-1 or P-1 with a stated maturity of no more than 270 days. The City's investment policy may further restrict those investment options. The investments reported on September 30, 2018 were similar to those held during the fiscal year.

The City reports all investments in the financial statements at fair value. At September 30, 2018, the City's investments carried a fair value of $605,082,174, of which $194,701,747 is in a local governmental investment pool which the City classifies in the financial statements as cash equivalents.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, Fair Value Measurement and Application establishes an authoritative definition of fair value, sets a framework for measuring fair value, and requires additional disclosures about fair value measurements. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets a government can access at the measurement date.
- Level 2 inputs are inputs, other than quoted prices included within Level 1, observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input significant to the entire measurement.

At September 30, 2018, the City had the following recurring fair value investments:

		Fair Value Measurement Method			
	9/30/2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Percent of Total Investments	Weighted Average Maturity (Days)
Investments Measured at Amortized Cost:					
TexSTAR - Investment Pool	194,701,747			32.18%	1
Certificates of Deposit	82,000,000			13.55%	252
Investments by Fair Value Level:					
Debt Securities:					
U.S. Treasury Securities	26,893,742	26,893,742	-	4.44%	104
U.S. Agency Securities	254,844,355	92,993,315	161,851,040	42.12%	373
Commercial Paper	35,711,560	-	35,711,560	5.90%	116
Municipal Bonds - Coupon	10,930,770	-	10,930,770	1.81%	153
Total Investments	605,082,174	119,887,057	208,493,370		
Portfolio Weighted Average Maturity					206

Of the investments recorded at fair value, $159,524,713 used the documented trade history in exact security pricing model, $34,257,124 used the option-adjusted discounted cash flow pricing model, and $134,598,590 used the present value of expected future cash flow pricing model.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values due to interest rate fluctuations by limiting the weighted average maturity of its investment portfolio to less than eighteen months.

Credit risk. The City's investment policy limits investments to obligations of the United States of America and its agencies, investment quality obligations of the State of Texas (including agencies, municipalities, counties, and other political subdivisions) with a rating not less than AA, certificates of deposits and savings deposits (fully insured, collateralized, or standby letter of credit backed), fully collateralized repurchase agreements, local public fund investment pools with a dollar weighted average maturity of 60 days or less, U.S. government money market mutual funds with a dollar weighted average maturity of 60 days or less and a stable net asset value of $1 for each share, and commercial paper that has a maturity of 270 days or less and a minimum rating of A-1, P-1, or an equivalent rating by at least two nationally recognized rating agencies. The City's investments in TexSTAR were rated "AAAm" by Standard & Poor's.

Custodial credit risk. This is the risk that in the event of a bank or counterparty failure, the City's deposits may not be returned. The policy states that all bank deposits of City funds shall be secured by pledged collateral with a market value equal to no less than 102 percent of the principal plus accrued interest less an amount insured by FDIC. As of September 30, 2018, the bank balance for deposits was $1,634,710 and was fully collateralized by the City's third party custodian, BNY Mellon.

Concentration of Credit Risk. The City's investment policy minimizes the risk of potential loss by diversifying investment types according to the following limitations based on value: U.S. Treasury bills/notes/bonds (100%), U.S. Agencies and Instrumentalities (100%), State of Texas Obligations – including agencies and local governments (15%), local government investment pools (50% in government securities and 15% in prime securities), repurchase agreements (20%), certificates of deposit (35%), savings deposits (15%), U.S. Money Market Mutual Funds (50%), callable U.S. Agencies and Instrumentalities (20%), and commercial paper (15%).

TexSTAR. The Texas Short Term Asset Reserve Program (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code (PFIA). TEXSTAR was created in

April 2002 by contract among its participating governmental units and is governed by a board of directors. J.P. Morgan Investment Management Inc. (JPMIM) and Hilltop Securities Inc. (HTS) serve as co-administrators. JPMIM provides investment management services, and FirstSouthwest, a division of HTS, provides participant service and marketing. Custodial, fund accounting, and depository services are provided by JPMorgan Chase Bank, N.A. and/or its subsidiary J.P. Morgan Investor Services Co. Transfer agency services are provided by Boston Financial Data Services, Inc.

TexSTAR states all investments at amortized cost value. The investment pool has a redemption notice of one day or same day, which may be redeemed daily. As the redemption period is only one day or less, the City classifies these balances in the financials as cash equivalent. TexSTAR may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, a general banking moratorium, or a national state of emergency affecting the pool's liquidity. The City has no unfunded commitments related to the investment pool.

Cash, cash equivalents and investments, at fair value are reported together on the financial statements. Investments, at fair value, by fund were as follows:

	General Fund	Debt Service	Capital Projects	Other Governmental Funds
Unrestricted investments	$ 17,504,834	$ 3,742,084	$142,116,126	$ 14,405,778
Change in fair value	(120,753)	(25,815)	(980,414)	(99,381)
Restricted investments	-	-	-	-
Change in fair value	-	-	-	-
Total	$ 17,384,081	$ 3,716,269	$141,135,712	$ 14,306,397

	Electric	Water	Wastewater	Solid Waste
Unrestricted investments	$ 51,858,513	$39,211,207	$ 29,645,970	$ 6,770,363
Change in fair value	(357,756)	(270,506)	(204,518)	(46,707)
Restricted investments	42,545,005	19,300,858	7,628,553	19,035,310
Change in fair value	(293,505)	(133,151)	(52,627)	(131,319)
Total	$ 93,752,257	$58,108,408	$ 37,017,378	$ 25,627,647

	Airport	Internal Service Funds	Total City Investments
Unrestricted investments	$ 2,476,135	$12,493,331	$320,224,341
Change in fair value	(17,082)	(86,188)	(2,209,120)
Restricted investments	1,668,257	2,828,849	93,006,832
Change in fair value	(11,509)	(19,515)	(641,626)
Total	$ 4,115,801	$15,216,477	$410,380,427

B. Property Tax Revenue

Property taxes attach as an enforceable lien on property as of January 1st. Taxes are levied on October 1st and are due and payable at that time; therefore, the legally enforceable claim arises on October 1st. A

receivable is recorded at that time. All unpaid taxes levied October 1st become delinquent February 1st of the following year.

Property taxes at the fund level are recorded as receivables and revenue in the period they become available. Current-year revenues recognized are those Ad valorem taxes collected within the current period or soon enough thereafter to pay current liabilities, which is sixty days after year-end. All other outstanding receivables are adjusted from revenue and recognized as deferred inflows of resources for future collections. Current tax collections for the year ended September 30, 2018 were 99.49% of the tax levy. An allowance is provided for delinquent taxes not expected to be collected in the future.

At September 30, 2018, the City had a tax rate of $0.637856 per $100 valuation. Based upon the maximum Ad valorem tax of $2.50 per $100 valuation imposed by Texas Constitutional law, the City had a tax rate margin of $1.862144. Additional revenues up to $193,976,956 could be raised per year based on the current year's certified assessed value of $10,416,861,217 before the limit is reached.

On December 7, 2010, the City Council approved a Tax Increment Financing Reinvestment Zone (TIRZ #1) for the purpose of dedicating the increase in tax revenues generated within the TIRZ district for development in the downtown area of the City for a total of 30 years. The tax increment to be paid is 100% of the increment in years 1-5, 95% in years 6-10, 90% in years 11-20, and 85% in years 21-30. In fiscal year 2018, the total assessed value of $161,351,215 after supplemental adjustments for TIRZ #1 was an increase of $81,994,361 over the base fiscal year 2011 assessed value and resulted in $496,856 of property tax revenue recorded in the TIRZ Fund as part of All Other Special Revenue Funds.

On December 18, 2012, the City Council approved a Tax Increment Financing Reinvestment Zone (TIRZ #2) for the purpose of dedicating 40% of the increase in tax revenues generated within the TIRZ district for development in the Westpark Industrial District for a total of 25 years. In fiscal year 2018, the assessed value of $63,108,366 after supplemental adjustments was an increase of $62,988,908 over the base fiscal year 2014 assessed value and resulted in $160,711 of property tax revenue recorded in the TIRZ Fund as part of All Other Special Revenue Funds. Denton County participates in the zone and based on their tax rate and a participation contribution of 40% of the County’s tax rate, $59,918 of property tax revenue was generated for Fiscal Year 2018.

The City created the Rayzor Ranch Public Improvement District No. 1 in 2014 for the undertaking and financing of public improvements authorized by Chapter 372 of the Texas Local Government Code. The project is located on the City’s northern sector, east of Interstate 35, and encompasses approximately 229.693 contiguous acres. The estimated costs of the proposed public improvements total $40 million. The authorized improvement costs will be apportioned 100% to the District. The method of assessment will impose equal shares of the costs of the proposed public improvements on parcels that are similarly benefited. No City property will be assessed, and the City will not be obligated to pay any assessments.

C. Receivables

Receivables at September 30, 2018 for the City's individual major funds and other funds (non-major funds, internal service funds and fiduciary funds), including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Electric
Receivables:					
Taxes	$ 8,166,349	$ 445,960	$ -	$ 253,507	$ -
Accounts	-	-	-	-	12,680,048
Accrued interest	125,135	26,751	1,015,932	102,983	674,854
Unbilled utility service	-	-	-	-	9,407,910
Other - EMS Services	4,730,573	-	-	-	-
Other	2,806,053	-	-	328,061	8,200,616
Gross receivables	15,828,110	472,711	1,015,932	684,551	30,963,428
Less: Allowance for uncollectibles	(5,643,941)	(147,558)	-	(2,071)	(815,008)
Net total receivables	$10,184,169	$ 325,153	$ 1,015,932	$ 682,480	$ 30,148,420

	Water	Wastewater	Solid Waste	Airport	Internal Service Funds	Total
Receivables:						
Taxes	$ -	$ -	$ -	$ -	$ -	$ 8,865,816
Accounts	2,489,301	2,043,602	1,741,215	51,752	21,560	19,027,478
Accrued interest	418,279	266,461	184,475	29,627	109,532	2,954,029
Unbilled utility service	1,742,207	1,706,272	1,672,796	-	-	14,529,185
Other - EMS Services	-	-	-	-	-	4,730,573
Other	-	-	750	180,713	87,763	11,603,956
Gross receivables	4,649,787	4,016,335	3,599,236	262,092	218,855	61,711,037
Less: Allowance for uncollectibles	(159,999)	(131,352)	(111,916)	(3,326)	(1,385)	(7,016,556)
Net total receivables	$ 4,489,788	$ 3,884,983	$ 3,487,320	$ 258,766	$ 217,470	$ 54,694,481

D. Capital Assets

Capital asset balances and transactions for the year ended September 30, 2018 are summarized below and on the following page.

Governmental activities:	Balance at October 1, 2017	Increases	Transfers and Decreases	Balance at September 30, 2018
Capital assets not being depreciated:				
Land	$ 21,678,996	$ 564,775	$ -	$ 22,243,771
Construction in progress	56,681,662	57,724,117	(27,547,471)	86,858,308
Total capital assets not being depreciated	78,360,658	58,288,892	(27,547,471)	109,102,079
Capital assets being depreciated:				
Buildings	66,851,041	5,491,543	-	72,342,584
Infrastructure	269,787,102	16,941,878	(5,468)	286,723,512
Machinery, equipment, and other improvements	104,638,641	11,242,376	(1,663,011)	114,218,006
Total capital assets being depreciated	441,276,784	33,675,797	(1,668,479)	473,284,102
Less accumulated depreciation for:				
Buildings	26,679,100	1,677,530	-	28,356,630
Infrastructure	162,353,257	9,468,261	-	171,821,518
Machinery, equipment, and other improvements	63,947,658	8,452,362	(1,163,411)	71,236,609
Total accumulated depreciation	252,980,015	19,598,153	(1,163,411)	271,414,757
Total capital assets, being depreciated, net	188,296,769	14,077,644	(505,068)	201,869,345
Governmental activities capital assets, net	$ 266,657,427	$ 72,366,536	$ (28,052,539)	$ 310,971,424

(continued)

Business-type activities:	Balance at October 1, 2017	Increases	Transfers and Decreases	Balance at September 30, 2018
Capital assets not being depreciated:				
Land	$ 29,412,602	$ 19,768,077	$ 106,505	$ 49,287,184
Construction in progress	355,433,364	164,594,806	(131,004,060)	389,024,110
Total capital assets not being depreciated	384,845,966	184,362,883	(130,897,555)	438,311,294
Capital assets being depreciated:				
Buildings	23,963,947	2,523,942	-	26,487,889
Landfill improvements	27,042,647	157,655	(1,248,354)	25,951,948
Water rights	69,883,098	-	-	69,883,098
Infrastructure	519,056,126	29,488,582	343,360	548,888,068
Plant, machinery, equipment, and other improvements	447,118,123	98,904,754	(7,164,744)	538,858,133
Total capital assets being depreciated	1,087,063,941	131,074,933	(8,069,738)	1,210,069,136
Less accumulated depreciation for:				
Buildings	7,954,646	681,111	-	8,635,757
Landfill improvements	23,330,938	1,299,403	(848,407)	23,781,934
Water rights	19,748,396	695,988	-	20,444,384
Infrastructure	155,605,399	12,967,841	-	168,573,240
Plant, machinery, equipment, and other improvements	183,825,959	25,072,095	(6,057,370)	202,840,684
Total accumulated depreciation	390,465,338	40,716,438	(6,905,777)	424,275,999
Total capital assets, being depreciated, net	696,598,603	90,358,495	(1,163,961)	785,793,137
Business-type activities capital assets, net	$1,081,444,569	$ 274,721,378	$ (132,061,516)	$ 1,224,104,431

Transfers and decreases include $502,297 ($52,432 in related accumulated depreciation) transferred from Governmental Activities to Business-Type Equipment. Increases in accumulated depreciation include the Electric prior period adjustment of $3,126,716 for certain transmission assets.

Depreciation expense was charged to activities of funds/functions/programs as follows:

Governmental activities:	
General government	$ 2,952,824
Public Safety	3,288,360
Public Works	9,263,508
Parks & Recreation	2,203,903
Capital assets held by the internal service funds are charged to the various functions based upon usage	1,889,558
Total depreciation expense - governmental activities	$ 19,598,153
Business-type activities:	
Electric	$ 14,628,588
Water	8,112,925
Wastewater	7,950,294
Solid Waste	6,305,288
Airport	592,627
Total depreciation expense - business-type activities	$ 37,589,722

Construction commitments:

The City has several major construction/capital projects planned or in progress as of September 30, 2018. These projects are evidenced by contractual commitments with contractors and include:

Project	Spent-to-Date	Remaining Commitment
Mayhill Widening - Phase 4 Construction	$ 17,445,805	$ 19,435,977
Bonnie Brae South Widening - Construction	8,110,127	7,869,320
Denton Energy Center	203,776,320	5,564,970
Brinker Substation	10,175,206	3,419,281
McKinney Street Widening	1,336,448	3,395,771
Radio Communications System	1,383,133	2,489,640
Vela Soccer Complex	3,823,531	2,310,143
Jim Christal Substation	20,818,024	2,145,845
Bonnie Brae Widening - Phase 6 2nd Arterial	8,410	1,974,740
Masch Branch Electrical Switch Station	5,229,797	1,809,544
Bonnie Brae South Widening - Engineering	5,995,537	1,352,860
Traffic Management System -Fiber Optic Trunk Lines	547,978	1,010,797
Eagle Drive Drainage - Phase 2	544,134	1,007,011

E. Interfund Receivables, Payables and Transfers

A summary of interfund receivables and payables (in thousands) at September 30, 2018, is as follows:

	Interfund Receivables:				
	Governmental Major Funds	Business-Type Major Funds			
Interfund Payables:	General Fund	Electric	Water	Wastewater	Total
Non-Major Governmental Funds	$ 489	$ -	$ -	$ -	$ 489
Internal Service Funds	425	3,773	666	201	5,065
Total	$ 914	$ 3,773	$ 666	$ 201	$ 5,554

The more significant interfund receivables and payables include the following:

Interfund receivables	Interfund payables	Amount
Electric fund	Internal service funds-materials management	$ 3,773,453
Water fund	Internal service funds-materials management	665,789
General fund	Non-Major Governmental Funds	488,735
General fund	Internal service funds-materials management	424,766
Wastewater fund	Internal service funds-materials management	200,992

The outstanding balances between the Electric, Water, Wastewater, and General Fund related to the Materials Management Fund are a result of the cash position in the Materials Management Fund due to inventory purchases. The outstanding balance between the General Fund and the Non-Major Governmental Funds is due to reimbursement timing from outside sources.

Transfers between funds (in thousands) during the year were as follows:

	Transfers Out:									
	Governmental Major Funds			Business-Type Major Funds						
Transfers In:	General Fund	Capital Projects Fund	Non-Major Governmental Funds	Electric Fund	Water Fund	Wastewater Fund	Solid Waste	Airport Fund	Internal Service Funds	Total
Governmental Major Funds:										
Debt Service Fund	$ -	$ -	$ 125	$ -	$ -	$ 167	$ -	$ -	$ -	$ 292
Capital Projects Fund	7,592	-	4,773	82	418	452	9	-	140	13,466
Non-Major Governmental Funds	174	6	-	735	260	100	-	50	-	1,325
Electric Fund	-	-	-	-	-	-	775	-	-	775
Water Fund	-	45	-	-	-	23	-	-	-	68
Wastewater Fund	-	-	-	-	125	-	262	-	-	387
Solid Waste Fund	-	-	-	714	-	24	-	-	-	738
Airport Fund	-	4,952	-	-	-	-	-	-	-	4,952
Internal Service Funds	45	4,038	-	849	330	440	-	-	-	5,702
Total	$ 7,811	$ 9,041	$ 4,898	$ 2,380	$ 1,133	$ 1,206	$ 1,046	$ 50	$ 140	$27,705

The more significant transfers include the following:

Transfers from fund	Transfers to fund	Amount
General Fund	Capital Projects	$7,591,340
Capital Projects	Airport	4,860,000
Capital Projects	Internal Service - Technology Services	4,020,000
Non-Major Gov't – Street Improvement	Capital Projects	2,629,858
Non-Major Gov't – Other Special Revenue Funds	Capital Projects	1,727,020
Business-type Major Funds	Non-Major Gov't – Street Improvement	1,034,581
Electric	Internal Service - Technology Services	848,500
Solid Waste	Electric	774,682

Transfers from the General Fund, from the Non-Major Governmental Fund – Street Improvement, and from the Non-Major Governmental Fund – Other Special Revenue Funds to the Capital Projects Fund were to fund capital projects. Transfers from the Capital Projects Fund to the Airport Fund and the Internal Service – Technology Services Fund as well as the transfer from the Electric Fund to the Internal Service – Technology Services Fund were to fund Airport capital improvements and fund a radio communications system. Transfers from the Business-type Major Funds (Electric, Water, and Wastewater) to the Non-Major Governmental Fund – Street Improvements were for bond savings costs related to the issuance of certificates of obligation, which fund street maintenance operations in the Street Improvements Fund. Transfers from the Solid Waste Fund to the Electric Fund were related to the transfer of land and building assets.

F. Leases

Leases payable represent the remaining principal amounts payable under lease purchase agreements for the acquisition of equipment through the General Fund. These leases are recorded as capital leases. Remaining requirements, including an interest amount of zero, under these leases are one payment of $4,171 in the following fiscal year.

The following schedule provides an analysis of the City's investments in equipment under capital lease arrangements as of September 30, 2018:

Equipment	$ 8,439,448
Less: Accumulated Depreciation	(8,428,690)
Total	$ 10,758

G. Long-term Debt

Long-term liabilities transactions for the year ended September 30, 2018 are summarized as follows below and on the following pages:

	Balance at October 1, 2017	Increases	Decreases / Transfers	Balance at September 30, 2018	Due Within One Year
Governmental Activities:					
General obligation bonds	$ 118,267,663	$ 19,235,000	$ 9,854,728	$ 127,647,935	$ 10,154,979
Certificates of obligation	49,285,000	37,725,000	5,810,000	81,200,000	7,030,000
Obligations under capital leases	498,062	-	493,891	4,171	4,171
Compensated absences payable	12,091,119	7,659,287	7,172,402	12,578,005	5,951,214
Claims payable	4,334,013	24,757,570	24,308,065	4,783,518	2,422,363
Net pension liability	69,602,329	25,064,578	41,124,249	53,542,658	-
Other post employment benefits	24,453,048	3,172,683	-	27,625,731	-
Unamortized premium/(discounts)	10,994,177	3,206,727	1,685,180	12,515,724	1,783,249
Total governmental long-term liabilities	$ 289,525,411	$ 120,820,845	$ 90,448,515	$ 319,897,742	$ 27,345,976

	Balance at October 1, 2017	Increases	Decreases / Transfers	Balance at September 30, 2018	Due Within One Year
Business-type Activities:					
Revenue bonds	$ 214,890,000	$ -	$ -	$ 214,890,000	$ -
General obligation bonds	127,677,337	-	16,330,272	111,347,065	18,990,021
Certificates of obligation	467,620,000	1,375,000	21,945,000	447,050,000	22,905,000
Compensated absences payable	3,038,835	2,592,000	2,613,177	3,017,658	2,531,935
Net pension liability	35,549,447	12,106,192	22,133,850	25,521,789	-
Other post employment benefits	13,507,248	1,767,904	-	15,275,152	-
Landfill closure/post-closure	10,013,752	897,636	-	10,911,388	-
Unamortized premium/(discounts)	69,029,537	152,566	7,677,622	61,504,481	7,162,220
Total business-type activities	941,326,156	18,891,298	70,699,921	889,517,533	51,589,176
Total long-term liabilities	$ 1,230,851,567	$ 139,712,143	$ 161,148,436	$ 1,209,415,275	$ 78,935,152

[The beginning balances at October 1, 2017 include a prior period adjustment for other post-employment benefits of $17,354,263 in governmental activities and $9,576,439 in business-type activities. See footnote I.G. for more information.]

For Internal Service funds, long-term liabilities are included as part of the above totals for governmental activities. Compensated absences payables and net pension liability balances and payments are based on the assignment of an employee within a fund. Other postemployment benefits are liquidated from the Health Insurance internal service fund, with the retiree subsidy amounts paid predominantly by the General Fund. Claims payable represents an estimate of self-insured claims liability outstanding in the Health Insurance and Risk Retention internal service funds.

General Bonded Debt - General bonded debt at September 30, 2018, is comprised of the following:

General Obligation Bonds and Certificates of Obligation Debt	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Amount Outstanding at September 30, 2018
General obligation	3.8 to 4.3	2010	2030	$ 4,115,000	$ 2,905,000
General obligation refunding	2.0 to 4.75	2011	2031	2,225,000	1,655,000
General obligation refunding	2.0 to 5.0	2012	2032	14,358,739	9,455,000
General obligation refunding	2.0 to 4.0	2013	2033	10,221,023	7,597,935
General obligation refunding	2.0 to 3.5	2014	2034	7,165,000	3,985,000
General obligation refunding	3.0 to 5.0	2015	2035	36,110,000	32,665,000
General obligation refunding	3.0 to 5.0	2016	2036	27,635,000	26,195,000
General obligation refunding	3.0 to 5.0	2017	2037	27,825,000	23,955,000
General obligation	3.0 to 5.0	2018	2038	19,235,000	19,235,000
Total general obligation bonds				148,889,762	127,647,935
Certificates of obligation	2.0 to 5.0	2010	2030	2,790,000	630,000
Certificates of obligation	2.0 to 5.0	2011	2031	3,455,000	735,000
Certificates of obligation	2.0 to 5.0	2012	2032	4,490,000	930,000
Certificates of obligation	3.0 to 4.0	2013	2033	10,805,000	7,605,000
Certificates of obligation	2.0 to 5.0	2014	2039	8,635,000	7,265,000
Certificates of obligation	2.0 to 5.0	2015	2034	7,420,000	4,990,000
Certificates of obligation	3.0 to 5.0	2016	2036	7,190,000	5,815,000
Certificates of obligation	3.0 to 5.0	2017	2037	17,000,000	15,505,000
Certificates of obligation	3.0 to 5.0	2018	2038	9,555,000	9,555,000
Certificates of obligation	3.375 to 5.0	2018	2038	28,170,000	28,170,000
Total certificates of obligation				99,510,000	81,200,000
Total general bonded debt				$ 248,399,762	$ 208,847,935

[These amounts do not include net unamortized premiums/ (discounts) of $12,515,724 nor net deferred gain/ (loss) on refunding of ($1,590,477).]

Proceeds of general obligation bonded debt are restricted to the uses for which they were approved in the bond elections or, in the case of a refunding issuance, to the uses for which the certificates of obligation were originally issued. The City Charter expressly prohibits the use of bond proceeds to fund operating expenses. The general obligations are collateralized by the full faith and credit of the City and, primarily, payable from property taxes.

In June 2018, the City issued $9,555,000 in certificates of obligation. The debt was issued to pay the costs of various capital improvements in the Capital Projects Fund of $6,080,000. The remaining proceeds ($3,475,000) were transferred out of the Capital Projects Fund to the Airport Fund for runways and taxiways at the municipal airport with the debt remaining in governmental activities.

In June 2018, the City issued $19,235,000 of general obligation. The debt was issued to pay the costs of various capital improvements in the Capital Projects Fund.

In September 2018, the City issued $29,545,000 in certificates of obligation. Of this amount, $1,375,000 was included as part of business-type activities in the Electric ($675,000), Water ($300,000), and Wastewater ($400,000) funds, and the proceeds were transferred to the Technology Services Fund for a radio communications system. An amount of the proceeds ($1,220,000) were transferred out of Capital Projects

Fund to the Airport Fund for improving vehicle roadways at the municipal airport with the debt remaining in governmental activities. The remaining proceeds were issued to pay the costs of various capital improvements in the Capital Projects Fund of $26,950,000.

Business-type Revenue Bonds – Revenue bond debt at September 30, 2018, is comprised of the following issues:

Revenue Bonds	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Amount Outstanding at September 30, 2018
Utility system	3.25 to 5.0	2017	2037	$ 214,890,000	$ 214,890,000
Total revenue bonds				$ 214,890,000	$ 214,890,000

[These amounts do not include net unamortized premiums/ (discounts) of $28,009,001.]

The revenue bonds are collateralized by the revenue of the Denton utility system funds (System) and the related interest and sinking fund. The ordinance provides that the revenue of the System is to be used first to pay operating and maintenance expenses of the System and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinance also contains provisions, which among other items restrict the issuance of additional revenue bonds unless certain financial ratios are met. Management believes the City is in compliance with all significant requirements. The interest and sinking fund had a net position balance of $2,683,644 as of September 30, 2018 and is restricted for debt service.

In prior years, the City defeased revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On September 30, 2018, $9,340,000 of revenue bonds considered defeased are still outstanding.

Business-type General Obligation Bonds and Certificates of Obligation – General obligation bonds and certificates of obligation issued for electric, water, wastewater, and solid waste funds at September 30, 2018, is comprised of the following:

General Obligation Bonds and Certificates of Obligation Debt	Interest Rate (%)	Issue Date	Final Maturity	Original Amount of Issue	Gross Amount Outstanding at September 30, 2018
General obligation refunding	3.0 to 5.0	2010	2022	$ 35,815,000	$ 14,005,000
General obligation refunding	2.0 to 4.75	2011	2031	8,620,000	1,625,000
General obligation refunding	2.0 to 5.0	2012	2032	19,231,261	11,475,000
General obligation refunding	2.0 to 4.0	2013	2033	513,977	357,065
General obligation refunding	3.0 to 5.0	2014A	2039	27,155,000	22,995,000
General obligation refunding	3.0 to 5.0	2015	2035	1,530,000	940,000
General obligation refunding	4.0 to 5.0	2015A	2026	33,945,000	22,430,000
General obligation refunding	3.0 to 5.0	2016	2028	1,295,000	1,235,000
General obligation refunding	3.0 to 5.0	2016A	2030	38,425,000	35,265,000
General obligation refunding	3.0 to 5.0	2017	2022	1,280,000	1,020,000
Total general obligation bonds				167,810,238	111,347,065
Certificates of obligation	2.0 to 5.0	2010	2030	58,295,000	37,710,000
Certificates of obligation	2.0 to 5.0	2010	2025	58,820,000	32,610,000
Certificates of obligation	2.0 to 5.0	2011	2031	28,645,000	18,215,000
Certificates of obligation	2.0 to 5.0	2012	2032	40,185,000	27,800,000
Certificates of obligation	3.0 to 4.0	2013	2033	52,715,000	38,625,000
Certificates of obligation	2.0 to 5.0	2014	2039	80,545,000	70,130,000
Certificates of obligation	2.0 to 5.0	2015	2034	85,595,000	77,700,000
Certificates of obligation	3.0 to 5.0	2016	2046	76,115,000	71,530,000
Certificates of obligation	3.0 to 5.0	2017	2047	73,800,000	71,355,000
Certificates of obligation	3.375 to 5.0	2018	2028	1,375,000	1,375,000
Total certificates of obligation				556,090,000	447,050,000
Total business-type G.O./C.O. bonds				$ 723,900,238	$ 558,397,065

[These amounts do not include net unamortized premiums/ (discounts) of $33,495,480 nor net deferred gain/ (loss) on refunding of ($3,508,557.]

Schedule of Long-term Debt Maturities

Aggregate maturities of the long-term debt (principal and interest) for the years subsequent to September 30, 2018 are shown below:

Governmental Activities:

	General Obligation		Certificates of Obligation		Capital Leases		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 10,154,979	$ 4,888,985	$ 7,030,000	$ 3,254,850	$ 4,171	$ -	$ 17,189,150	$ 8,143,835
2020	9,865,424	4,398,026	6,785,000	3,065,681	-	-	16,650,424	7,463,707
2021	9,965,678	3,965,282	6,285,000	2,772,981	-	-	16,250,678	6,738,263
2022	9,480,878	3,531,964	5,800,000	2,486,669	-	-	15,280,878	6,018,633
2023	8,591,262	3,130,059	4,580,000	2,236,394	-	-	13,171,262	5,366,453
2024-2028	37,119,714	10,707,249	19,615,000	8,265,238	-	-	56,734,714	18,972,487
2029-2033	25,505,000	5,124,126	17,505,000	4,221,031	-	-	43,010,000	9,345,157
2034-2038	16,965,000	1,132,769	13,600,000	1,118,609	-	-	30,565,000	2,251,378
Total	$ 127,647,935	$ 36,878,460	$ 81,200,000	$ 27,421,453	$ 4,171	$ -	$ 208,852,106	$ 64,299,913

Business-Type Activities:

	General Obligation		Certificates of Obligation		Revenue		Total	
Fiscal Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 18,990,021	$ 4,675,888	$ 22,905,000	$ 18,296,958	$ -	$ 10,685,000	$ 41,895,021	$ 33,657,846
2020	19,914,576	3,793,394	23,330,000	17,244,794	7,580,000	10,495,500	50,824,576	31,533,688
2021	17,019,322	2,942,089	22,585,000	16,153,082	7,970,000	10,106,750	47,574,322	29,201,921
2022	15,124,122	2,156,195	22,435,000	15,090,925	8,375,000	9,698,125	45,934,122	26,945,245
2023	10,513,738	1,517,463	21,380,000	14,097,406	8,805,000	9,268,625	40,698,738	24,883,494
2024-2028	26,035,286	2,907,337	101,370,000	56,598,901	51,135,000	39,245,875	178,540,286	98,752,113
2029-2033	3,750,000	113,400	90,355,000	35,897,310	65,480,000	24,898,250	159,585,000	60,908,960
2034-2038	-	-	53,415,000	22,138,644	65,545,000	6,759,125	118,960,000	28,897,769
2039-2043	-	-	56,860,000	12,015,763	-	-	56,860,000	12,015,763
2044-2047	-	-	32,415,000	1,848,578	-	-	32,415,000	1,848,578
Total	$ 111,347,065	$ 18,105,766	$ 447,050,000	$ 209,382,361	$ 214,890,000	$ 121,157,250	$ 773,287,065	$ 348,645,377

[These amounts do not include net unamortized premiums/ (discounts) of $74,020,205 nor net deferred gain/ (loss) on refunding of ($5,099,034).]

Bonds Authorized and Unissued

General obligation bonds authorized but unissued as of September 30, 2018 amounted to $34,035,000. When issued, the proceeds will be allocated to the applicable street, drainage, and parks projects.

H. Landfill Closure and Post-closure Cost

State and federal laws and regulations require the City to place a final cover on its Mayhill Road landfill site upon closure and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only upon anticipated closure, the City reports a portion of these costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. Based on a model created by a 2017 engineering study, total landfill closure and post-closure cost increased from $20,351,142 at September 30, 2017 to $20,819,218 at September 30, 2018. The $10,911,388 reported as landfill closure and post-closure care liability is an $897,636 increase from the $10,013,752 liability reported on September 30, 2017. This liability represents the cumulative amount incurred to date based on the use of 50.16% of the estimated capacity of the entire landfill at September 30, 2018.

Based on this estimate, the remaining potential estimated liability for closure and post-closure care of the entire landfill is $15,692,944. The City will recognize the remaining estimated cost of closure and post-closure care as the remaining capacity is filled. These amounts are based on what it would cost to perform closure and post-closure care in 2018. Actual cost may fluctuate due to inflation, changes in technology, or changes in regulations. The landfill has a remaining life of 10 years, and the City expects to close the landfill in fiscal year 2028.

The solid waste fund has provided for a reservation and designation of cash and investments of $9,896,590 at September 30, 2018, and anticipates increasing the reserve in future periods as the closure and post-closure activities are carried out.

V. OTHER INFORMATION

A. Pension Plans

Employee Retirement Plans

The City of Denton participates in two pension plans; Texas Municipal Retirement System (TMRS), an agent-multiple employer traditional, joint contributory, hybrid defined benefit pension plan; and the Denton Firemen's Relief and Retirement Fund (FRRF), a single employer, contributory, defined benefit plan. Both plans are described in detail below. Aggregate amounts for the two pension plans are as follows:

	TMRS	FRRF	Total
Pension liability	$ 467,822,431	$ 102,845,928	$ 570,668,359
Pension assets	406,215,629	85,388,283	491,603,912
Net pension liability	$ 61,606,802	$ 17,457,645	$ 79,064,447
Deferred outflows of resources	$ 22,573,809	$ 9,396,632	$ 31,970,441
Deferred inflows of resources	20,937,548	5,763,878	26,701,426
Pension expense	14,588,748	3,210,285	17,799,033

Texas Municipal Retirement Plan

Plan Description

The City of Denton participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly-available comprehensive annual financial report (CAFR) obtainable at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Upon retirement, benefits depend on the sum of the employee's contributions, with interest, and the city-financed monetary credits, with interest. City-financed monetary credits are composed of three sources: prior service credits, current service credits, and updated service credits. Prior service credit, granted by each city joining TMRS, is a monetary credit equal to the accumulated value of the percentage of prior service credit adopted times and employee's deposits that would have been made, based on the average salary prior to

participation, for the number of months the employee has been employed, accruing 3% annual interest, and including the matching ratio adopted by the City. Monetary credits for service since the plan began (or current service credits) are a percent (200%) of the employee's accumulated contributions. In addition, the City grants on an annually repeating basis, another type of monetary credit referred to as an updated service credit. This monetary credit is determined by hypothetically recomputing the member's account balance by assuming the current member deposit rate of the City (7%) has always been in effect. The computation also assumes the member's salary has always been the member's average salary – using a salary calculation based on the 36-month period ending a year before the effective date of calculation. This hypothetical account balance is increased by 3% each year, and increased by the city match currently in effect (200%). The resulting sum is then compared to the member's actual account balance increased by the actual city match and actual interest credited. If the hypothetical calculation exceeds the actual calculation, the member is granted a monetary credit (or Updated Service Credit) equal to the difference between the hypothetical calculation and the actual calculation times the percentage adopted. The plan provisions also include an annually repeating basis cost of living adjustments for retires equal to 70% of the change in the consumer price index.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after five years.

Employees Covered by Benefit Terms

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	576
Inactive employees entitled to but not yet receiving benefits	545
Active employees	1,246
Total	2,367

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the City Council. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 17.30% and 17.13% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were $14,931,800 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar

Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, TMRS's actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	$ 438,599,411	$ 353,041,063	$ 85,558,348
Changes for the year:			
Service cost	14,514,171	-	14,514,171
Interest	29,543,513	-	29,543,513
Difference between expected and actual experience	1,514,980	-	1,514,980
Contributions - employer	-	14,821,752	(14,821,752)
Contributions - employee	-	6,014,227	(6,014,227)
Net investment income	-	48,954,660	(48,954,660)
Benefit payments, including refunds of employee contributions	(16,349,644)	(16,349,644)	-
Administrative expense	-	(253,578)	253,578
Other changes	-	(12,851)	12,851
Net changes	29,223,020	53,174,566	(23,951,546)
Balance at 12/31/2017	$ 467,822,431	$ 406,215,629	$ 61,606,802

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 131,733,921	$ 61,606,802	$ 4,406,685

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at *www.tmrs.com*.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of $14,588,748. This amount is included as part of personal services expenses.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to TMRS pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ 9,474,797	$ (20,121,039)
Contributions subsequent to the measurement date	11,422,858	-
Differences between expected and actual economic experience	1,676,154	(645,510)
Difference in assumption changes	-	(170,999)
Total	$ 22,573,809	$ (20,937,548)

$11,422,858 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the City's fiscal year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended December 31st	
2018	$ 109,135
2019	(610,753)
2020	(4,579,951)
2021	(4,711,063)
2022	6,035
Total	$ (9,786,597)

Denton Firemen's Relief and Retirement Plan

Plan Description

The City contributes to the retirement plan for firefighters in the Denton Fire Department known as the Denton Firemen's Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Denton Firemen's Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Denton Firemen's Relief and Retirement Fund at P.O. Box 2375, Denton, Texas 76202. See that report for all information about the plan fiduciary net position.

Benefits Provided

Firefighters in the Denton Fire Department are covered by the Denton Firemen's Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. Firefighters may retire at age 50 with 20 years of service. A partially-vested benefit is provided for firefighters who terminate employment with at least 10 but less than 20 years of service. If a terminated firefighter has a partially vested benefit, the firefighter may retire starting on the date they would have both completed 20 years of service if they had remained a Denton firefighter and attained age 50. The present plan effective January 1, 2011 provides a monthly normal service retirement benefit,

payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 2.59% of Highest 36-Month Average Salary for each year of service.

A retiring firefighter who is at least age 52 with at least 22 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 36-Month Average Salary as if the firefighter had terminated employment on their selected RETRO DROP benefit calculation date, which is no earlier than the later of the date the firefighter meets the age 52 and 22 years of service requirements and the date four years prior to the date the firefighter actually retires. Upon retirement, the member will receive, in addition to the monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

Employees Covered by Benefit Terms

In the December 31, 2017 actuarial valuation, the following numbers of members were covered by the Fund:

Inactive employees or beneficiaries currently receiving benefits	84
Inactive employees entitled to but not yet receiving benefits	3
Active employees	189
Total	276

Contributions

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

The funding policy of the Denton Firemen's Relief and Retirement Fund requires contributions equal to 12.6% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA. The City contribution rate in calendar year 2017 was 17.48% until the City began contributing in December 2017 according to a new City funding policy. The ordinance defining it includes an actuarially determined contribution rate over a closed 25-year amortization period, a contribution rate of 18.5% for several years, a minimum rate standard, and City review and approval of each actuarial valuation. The December 31, 2017 actuarial valuation includes the assumption the City contribution rate will be 18.5% over the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets. The City's contributions to the Fund for the year ended September 30, 2018 were $3,310,248

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. The board selects investments and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the calendar year ending December 31, 2017, the money-weighted rate of return on pension plan investments was 11.58%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost

contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

Net Pension Liability

The City of Denton's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017.

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50% per year
Overall payroll growth	3.00% per year, plus promotion, step and longevity increases that vary by service
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Mortality Tables for males and for females (sex distinct) projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 5.1%) and by adding expected inflation (2.5%). In addition, the final 6.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.85% for adverse deviation. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities		
Large Cap Domestic	40.0%	6.00%
Small/Mid Cap Domestic	10.0%	6.50%
International Developed	10.0%	6.50%
Alternatives		
Master Limited Partnerships	8.0%	8.00%
Real Estate	15.0%	4.50%
Fixed Income	10.0%	1.00%
Cash	7.0%	0.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. No projection of cash flows was used to determine the discount rate because the December 31, 2017 actuarial valuation showed expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 15 years. Because of the 15-year amortization period of the UAAL, the pension plan's fiduciary net

position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 6.75% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2016	$ 94,898,178	$ 75,304,750	$ 19,593,428
Changes for the year:			
Service cost	3,182,608	-	3,182,608
Interest	6,493,255	-	6,493,255
Difference between expected and actual experience	2,040,716	-	2,040,716
Contributions - employer	-	2,979,807	(2,979,807)
Contributions - employee	-	2,142,990	(2,142,990)
Net investment income	-	8,793,234	(8,793,234)
Benefit payments, including refunds of employee contributions	(3,768,829)	(3,768,829)	-
Administrative expense	-	(63,669)	63,669
Net changes	7,947,750	10,083,533	(2,135,783)
Balance at 12/31/2017	$ 102,845,928	$ 85,388,283	$ 17,457,645

Sensitivity of the Net pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City of Denton, calculated using the discount rate of 6.75%, as well as what the city's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 30,523,721	$ 17,457,645	$ 6,442,050

Pension Plan Fiduciary Net Position

The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2018, the City recognized pension expense of $3,210,285. Amounts recognized in the fiscal year represent changes between the current and prior year measurement dates. This amount is included as part of personnel services expenses.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the Fund from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	$ 3,355,753	$ (4,333,409)
Contributions subsequent to the measurement date	2,594,163	-
Differences between expected and actual economic experience	1,830,116	(1,430,469)
Difference in assumption changes	1,616,600	-
Total	$ 9,396,632	$ (5,763,878)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $2,594,163 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2018 and the City's fiscal year ending September 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ended December 31st	
2018	$ 740,363
2019	691,436
2020	(961,976)
2021	(495,271)
2022	238,052
Thereafter	825,987
Total	$ 1,038,591

B. Post-employment Benefits Other than Pensions (OPEB)

The City of Denton provides for two post-employment benefit (OPEB) plans; one provides for post-employment medical care through a single-employer defined benefit medical plan (Medical OPEB), and the other is the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF), a single-employer defined benefit OPEB plan. Both plans are described in detail below.

Aggregate amounts for the two OPEB plans are as follows:

	Medical OPEB	TMRS SDBF	Total
Total OPEB liability	$ 39,631,890	$ 3,268,993	$ 42,900,883
Deferred outflows of resources	$ 2,600,480	$ 346,207	$ 2,946,687
OPEB expense	3,340,971	296,122	3,637,093

Medical Benefits

Plan Description

The City of Denton provides post-employment medical care (OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses and dependents though the City's group health insurance plans, which covers both active and retired members. The benefits, benefit levels, and contribution rates are recommended annually by the City management as part of the budget process. Any changes in rate subsidies for retirees are approved by the City Council. Since an irrevocable trust has not been established, the plan is not accounted for as a trust fund. The plan does not issue a separate financial report.

Benefits Provided

The City provides post-employment medical, dental, and vision care benefits to its retirees. To be eligible for benefits, an employee must qualify for retirement under the Texas Municipal Retirement System or the Denton Firemen's Relief and Retirement Plan. Retirees must make a one-time irrevocable decision to choose benefits at the time of retirement, after that their eligibility for the benefits ceases. However, retirees can move between plans and can add and drop dependents based on qualifying events.

All medical care benefits are provided through the City's self-insured health plan. The benefit levels are the same as those afforded to active employees.

Employees Covered by the Benefit Terms

In the December 31, 2017 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	123
Inactive employees entitled to but not yet receiving benefits	0
Active employees	1,402
Total	1,525

Funding Policy

The plan premium rates are recommended annually by City management and approved by the City Council as part of the annual budget. The retiree's contribution is the full amount of the actuarially determined blended premium rate less a subsidy dependent upon years of service at retirement. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree health care costs are higher than active employee healthcare costs. By the City not contributing anything toward this plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. The City contributes $40 per month for each five-year increment of service, up to $200 per month, toward the cost of retiree coverage. The full cost for dental and vision is paid by the retiree. Retirees are required to enroll in Medicare Part B once eligible (age 65) and are moved into a fully-insured Medicare Supplement plan at that time. The same City contribution level applies to the supplement.

Medical OPEB Liability

The City's medical OPEB liability of $39,631,890 was measured as of December 31, 2017 and determined by an actuarial valuation as of that date.

Actuarial Methods and Assumptions

The medical OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Significant method and assumptions used for this fiscal year valuation were as follows:

Actuarial Assumptions

	12/31/2017
Valuation date	December 31, 2017
Actuarial cost method	Individual Entry-Age Normal Method
Discount Rate	3.31% as of December 31, 2017
Inflation rate	2.5% per annum
Projected salary increases	3.50% to 10.5% including inflation
Healthcare trend rates	Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years
Mortality	**TMRS:** For healthy retirees, the gender-district RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. **Firefighters:** The gender-distinct RP-2000 Combined Healthy Mortality Tables projected to 2024 with Scale AA. No additional provision is made for future improvements in mortality after the measurement date other than the margins described above.
Participation Rates	60% for retirees age 65 or older at retirement: 45% for retirees between the ages of 50 and 64 at retirement; 0% for retirees under age 50 at retirement

Changes in the Medical OPEB Liability

	Total Medical OPEB Liability
Balance at 12/31/2016	$ 35,196,570
Changes for the year:	
Service cost	1,750,172
Interest	1,360,179
Changes of assumptions	2,067,787
Benefit payments	(742,818)
Net changes	4,435,320
Balance at 12/31/2017	$ 39,631,890

Sensitivity of the Medical OPEB Liability to Changes in the Discount Rate

The following schedule shows the impact of the medical OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.31%) in measuring the medical OPEB liability:

	1% Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
Total medical OPEB liability	$ 44,196,544	$ 39,631,890	$ 35,625,856

Sensitivity of the Medical OPEB Liability to Changes in the Healthcare Cost Trend Rate Assumption

The following schedule shows the impact of the medical OPEB liability if the healthcare trend cost rate used was 1% less than and 1% more than the healthcare cost trend rate that was used (7.50%) in measuring the medical OPEB liability:

	1% Decrease (6.50%)	Current Healthcare Cost Trend Rate (7.50%)	1% Increase (8.50%)
Total medical OPEB liability	$ 36,019,869	$ 39,631,890	$ 43,913,059

Medical OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Medical OPEB

For the year ended September 30, 2018, the City recognized medical OPEB expense of $3,340,971. At September 30, 2018, the City reported deferred outflows of resources (no deferred inflows of resources) related to medical OPEB from the following sources:

	Deferred Outflows of Resources
Changes in actuarial assumptions	$ 1,837,167
Contributions subsequent to the measurement date	763,313
Totals	$ 2,600,480

Amounts reported as deferred outflows of resources related to the medical OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	Net Deferred Outflows/(Inflows)
2019	$ 230,620
2020	230,620
2021	230,620
2022	230,620
2023	230,620
Thereafter	684,067
Total	$ 1,837,167

TMRS Supplemental Death Benefit Fund

Plan Description

The City of Denton voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a single-employer defined benefit Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City's pension plan.

Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this system via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st.

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of $7,500.

Employees Covered by the Benefit Terms

In the December 31, 2017 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	449
Inactive employees entitled to but not yet receiving benefits	165
Active employees	1,246
Total	1,860

Contributions

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.18% for 2018 and 0.18% for 2017, of which 0.02% and 0.02%, respectively represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all the death benefit payments for the upcoming year; the intent

is not to prefund retiree term life insurance during employees' entire careers. The City's contribution to the SDBF for two years ended September 30, 2018 and 2017 were $156,539 and $152,556 respectively representing contributions for both active and retiree coverage, which equaled the required contribution each year.

Actuarial Methods and Assumptions

The SDBF OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

	12/31/2017
Inflation rate	2.50% per annum
Discount rate	3.31%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 10.5% including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the following:

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for the future mortality improvements subject to the 3% floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Discount Rate

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 3.31% was used to measure the SDBF OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2017.

Sensitivity of the SDBF OPEB Liability to Changes in the Discount Rate

The following schedule shows the impact of the SDBF OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.31%) in measuring the medical OPEB liability:

	1% Decrease (2.31%)	Current Discount Rate (3.31%)	1% Increase (4.31%)
Total SDBF OPEB liability	$ 3,965,711	$ 3,268,993	$ 2,728,823

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs

At September 30, 2018 the City reported a liability of $3,268,993 for its Total SDBF OPEB liability. The total SDBF liability was determined by an actuarial valuation as of December 31, 2017. For the year ended

September 30, 2018, the City recognized SDBF OPEB expense of $296,122. There were no changes of benefit terms that affected measurement of the Total SDBF Liability during the measurement period.

Changes in the SDBF OPEB Liability

	Total SDBF OPEB Liability
Balance at 12/31/2016	$ 2,763,726
Changes for the year:	
Service cost	144,886
Interest	106,885
Changes of assumptions	270,541
Benefit payments	(17,045)
Net changes	505,267
Balance at 12/31/2017	$ 3,268,993

At September 30, 2018, the City reported deferred outflows of resources (no deferred inflows of resources) related to other SDBF post-employment benefits from the following sources:

	Deferred Outflows of Resources
Changes in actuarial assumptions	$ 226,190
Contributions subsequent to the measurement date	120,017
Totals	$ 346,207

The $120,017 reported as deferred outflows of resources related to SDBF OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total SDBF Liability for the year ending September 30, 2019. Other amounts reported as deferred outflows of resources related to SDBF OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	Net Deferred Outflows/(Inflows)
2019	$ 44,351
2020	44,351
2021	44,351
2022	44,351
2023	44,351
Thereafter	4,435
Total	$ 226,190

C. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. For the calendar years 2017 and 2018, the plan, available to all permanent City employees, permitted them to defer, until future years, up to $18,000 and $18,500, respectively. Employees who are age 50 or older may contribute an amount not to exceed $24,500. Employees who are within three years of retirement eligibility may elect to participate in a catch-up provision allowed by Section 457, which has an annual maximum contribution amount of $36,000 in 2017 and $37,000 in 2018. The withdrawal of deferred compensation funds is only available to employees by loan, termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are, until paid or made available to the employee or other beneficiary, solely the property and rights of the employees. Accordingly, the assets and associated liability of the plan are not included in the City's financial statements.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan.

D. Self-insurance Plan

The City has established a self-insurance plan for liability and workers' compensation claims in the Risk Retention Fund. Accrued claims payable include provisions for claims reported and claims incurred but not reported. The provision for reported claims is determined by estimating the amount which will ultimately be paid for each claimant. The provision for claims incurred but not yet reported is estimated based on actuarial studies.

It is the policy of the City of Denton not to purchase commercial insurance for workers' compensation claims or general liability. Commercial liability insurance coverage is purchased for airport operations, emergency medical services, take-home vehicles, and employee theft and dishonesty. Additionally, excess insurance is purchased for general liability, auto liability, public officials, and workers' compensation exposures. The City reports liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

In January 2008, the City started a self-insured group employee health insurance plan. Claims are paid from the Health Insurance Fund, which has an annually negotiated stop loss provision.

The City's costs associated with the self-insurance plans are interfund transactions. Accordingly, they are treated as operating revenues of the Internal Service Risk Retention Fund and Health Insurance Fund and operating expenditures (expenses) of the other funds and employee payroll deductions.

Claims liabilities are re-evaluated periodically to take into consideration settlement of claims, new claims and other factors. As of September 30, 2018 the estimated value of these liabilities was $4,783,518. Changes in balances of claims liabilities during fiscal years 2018 and 2017 were as shown on the following page:

	Claims Liability Beginning of Fiscal Year	Claims and Change in Estimates	Claims Payments	Claims Liability End of Fiscal Year
Workers' Compensation				
2018	$ 1,661,902	$ 1,040,854	$ 912,087	$ 1,790,669
2017	1,887,296	1,059,062	1,284,456	1,661,902
General Liability				
2018	$ 844,772	$ 440,089	$ 266,975	$ 1,017,886
2017	609,030	442,108	206,366	844,772
Health Insurance				
2018	$ 1,827,339	$ 23,276,627	$ 23,129,003	$ 1,974,963
2017	1,575,078	21,964,583	21,712,322	1,827,339

On September 30, 2018, the City of Denton had a negative unrestricted net position of $294,023 in the Risk Retention Fund and an additional positive net position of $3,261,266 in the Health Insurance Fund for payment of claims. There were no significant reductions in insurance coverage from coverage in the prior year, and the amount of settlements did not exceed insurance coverage in the current year or in any of the past three fiscal years.

E. Commitments and Contingencies

Agreement with TMPA

In 1976, the City, along with the cities of Bryan, Greenville, and Garland, Texas (the Cities) entered into a Power Sales Contract with the Texas Municipal Power Agency (TMPA). TMPA was created through concurrent ordinances of the Cities and is governed by a Board of Directors consisting of eight members, two appointed by the governing body of each city. Under the terms of the agreement, TMPA agreed to construct or acquire electric generating plants to supply energy and power to the Cities for a period of not less than 35 years. The Cities in turn agreed to purchase all future power and energy requirements in excess of the amounts generated by their systems from TMPA at prices intended to cover operating costs and retirement of debt. In the event that revenues are insufficient to cover all costs and retire the outstanding debt, each of the cities has guaranteed a portion of the unpaid debt based, generally, upon the pro rata share of the energy delivered to consumers in the prior operating year.

TMPA, a municipal corporation, is governed by a Board of Directors consisting of eight members. The governing body of each of the four Cities appoints two members to the Board. An affirmative vote of five Directors, plus a weighted majority vote based on the respective energy usage of the Cities, is required for major decisions.

The City pays TMPA a pro-rated monthly charge based on the City’s contractual portion of TMPA’s annual fixed operating costs and debt service payments, which is currently 21.3%. As of September 30, 2017, total TMPA long-term debt outstanding was approximately $218,637,000, all of which was transmission debt and has no effect on the term of the contract. All outstanding generation debt was paid off on September 1, 2018.

In January 2016 and again in June 2017, TMPA issued requests for proposals (RFPs) regarding the proposed sale of the agency’s generation and transmission assets. Certain proposals received in connection with the 2016 RFP were pursued in 2016 and into 2017, but negotiations were ultimately discontinued. TMPA received additional proposals in the summer and fall of 2017 and is in negotiations with a proposal.

The sale proposal involves two potential sales, one involving the conveyance of Gibbons Creek and the other involving the sale of a portion of TMPA's transmission facilities.

TMPA management anticipates, if an agreement is reached with the proposer, none of TMPA's transmission assets would be transferred prior to the first date, September 1, 2020, when all transmission debt is subject to optional or mandatory redemption or could otherwise be prepaid.

Effective September 1, 2016, TMPA and the Member Cities entered into a Joint Operating Agreement (JOA). In general, the purposes of the JOA include: (i) funding TMPA operations such as mine reclamation, transmission service, and plant decommissioning following expiration of the Power Sales Contract (PSC); (ii) subject to certain exceptions, requiring Member City approval for the issuance of new debt, the execution of certain significant contracts, and the sale of property exceeding $10 million in value; (iii) specifying provisions for determining how costs of TMPA and proceeds from the sale of assets are to be allocated among the Member Cities; (iv) providing for the establishment by TMPA of reserve funds for the decommissioning of the plant and the indemnification of TMPA Board Members and Member City officials, employees, contractors, and agents; and (v) dividing the operations of TMPA into three business functions (mine, generation, and transmission) and requiring separate budgets and books for each business function.

The PSC provides upon dissolution of TMPA, the assets of TMPA automatically being transferred to the Member Cities, with each Member City receiving an undivided interest in the assets of TMPA in proportion to the amount paid by the Member City to TMPA. The JOA requires TMPA to periodically make this calculation for each business unit, and sets out formulas for making these calculations. Under the JOA, these ownership calculations are relevant not only to the allocation of assets upon dissolution of TMPA, but also to the allocation of certain proceeds from the sale of assets, and in some cases, the allocation of TMPA costs.

At the request of a majority of the Member Cities, TMPA is required by the JOA to transfer a divided interest in the transmission system to each Member City. Under this partition process, the objective is for each City to receive ownership of transmission facilities in the vicinity of the Member City, and in proportion to the Member City's ownership interest in the transmission business. Any such transfer of transmission assets must be in compliance with relevant bond covenants, including those requiring defeasance of all or a portion of transmission debt.

The JOA includes a reclamation plan for the mine, requires the development of a decommissioning plan, and sets out standards for environmental remediation. TMPA is required to comply with these plans and standards.

Under the JOA, in discharging its contractual obligations, including mine reclamation, decommissioning, transmission service, environmental remediation, indemnification, and other obligations, TMPA is rendering services to the Member Cities. The JOA obligates each Member City to pay the cost of these services, and to collect rates and charges for electric service sufficient to enable it to pay to TMPA all amounts due under the JOA for these services. The City's payment obligations under the JOA are payable exclusively from such electric utility revenues, and constitute an operating expense of the electric system.

Unless terminated earlier through the mutual consent of all parties, the JOA remains in effect until the dissolution of TMPA and the winding up of its affairs.

Effective September 1, 2016, the JOA was amended (Amendment No. 1). The primary purposes of the amendment were to authorize the sale of Gibbons Creek and the sale of the Southern 345 kV Transmission System and to authorize the issuance of refunding bonds in connection with such sales. As the sale contemplated by Amendment No. 1 did not occur, by its own terms, Amendment No. 1 ceased to have any force or effect. Effective September 22, 2017, the JOA was amended a second time (Amendment No. 2). The purposes of this amendment are to: continue TMPA's authority to issue mine reclamation bonds as had been contemplated in Amendment No. 1; revise the dates on which the separate budgets of the JOA become effective; authorize TMPA to sell certain mining and transmission assets, provided the sales do not exceed in value certain financial thresholds, and provided the sales comply with bond covenants; and allow for an extension to the term of the PSC, applicable only to the cities notifying TMPA of the extension, in order to complete a period of seasonal operation in 2018, or such other period of time as desired by the notifying

cities. Pursuant to this provision, the City extended the PSC from September 1, 2018 to September 30, 2018, in order to complete the period of 2018 seasonal operation.

Effective October 17, 2017, Gibbons Creek entered into a seasonal operations mode, operating during the summer months only (June-September). This change was authorized by ERCOT through a Notification of Suspension of Operations (NSO) Initial and Final Determination, dated August 2017. Due to the significant decline in service utility of the generation assets, such assets were deemed largely impaired as of September 30, 2017. The City also largely impaired its TMPA prepaid purchase power due to the seasonality changes as of September 30, 2017. In December 2018, TMPA notified ERCOT that it will suspend operation (i.e. mothball) Gibbons Creek indefinitely. This filing category does not mean the unit cannot be returned to service if TMPA should subsequently elect to do so by providing the requisite six-month's notice to ERCOT. The City has recorded $14,211,345 in TMPA prepaid purchase power outstanding as of September 30, 2018, as part of the City's total prepaid balance in the Electric fund, and $23,268,440 impaired and recorded as an Other Asset to be amortized over the remaining 6.5 remaining years. If Gibbons Creek is still shut down indefinitely as of September 30, 2019, the outstanding balances will be reviewed and impaired accordingly.

Selected financial statement information of TMPA is as follows:

	September 30 (Unaudited)	
	2018	2017
	(000s)	(000s)
Operating revenues	$175,471	$ 277,155
Operating expenses	68,769	121,245
Operating income	106,702	155,910
Other non-operating sources (uses)	6,785	2,922
Current unrestricted assets	54,506	52,658
Total assets and deferred outflows	269,423	407,095
Long-term debt – Noncurrent	214,487	207,824
Total liabilities	255,208	362,208
Total net position	14,215	44,887

Financial statements for TMPA are available from the TMPA website www.texasmpa.org.

Power Purchase Agreements

Following is a list of power purchase agreements in effect as of the publication date of these financial statements as well as agreements entered into subsequent to year. The information provided is all that is allowed under the confidentiality provision(s) of the particular agreements.

Denton Power, Landfill-Gas Digester - In 2008, the City entered into a 16 year power purchase agreement with Denton Power, LLC. Under the agreement, the City purchases 1.6 MW of output from a landfill gas-fired electric generating facility located at the City's landfill.

NextEra - In 2009, the City entered into a power purchase agreement for firm energy and associated renewable energy credits with NextEra Energy Power Marketing, LLC.

Santa Rita, Wind - In 2016, the City entered into a 20 year power purchase agreement for wind energy, capacity, and environmental attributes with Santa Rita Wind Energy, LLC.

Bluebell Solar - In 2015, the City entered into a 20 year power purchase agreement with Bluebell Solar Energy, LLC, a subsidiary of NextEra Energy, Inc. Under the agreement, the City purchases solar energy, capacity, and environmental attributes commencing from the commercial operation date which was November 2018.

Long Draw Solar - In 2018, subsequent to year-end, the City entered into a 15 year power purchase agreement with Engie Long Draw Solar, LLC. Under the agreement, which is scheduled to end June 2035, the City will purchase 75 MW of solar generation and environmental attributes. Projected in-service date is June 30, 2020.

Bluebell II Solar - In 2018, the City entered into a 15 year power purchase agreement with Bluebell Solar II Energy, LLC, a subsidiary of NextEra Energy, Inc. Under the agreement, the City will purchase 100 MW of solar generation and environmental attributes commencing from the commercial operation date projected for December 31, 2020.

Samson Solar - In 2018, subsequent to year-end, the City of Denton entered into a 15 year power purchase agreement with Samson Solar Energy, LLC. Under the agreement, which is scheduled to end in 2037, the city will purchase 75 MW of solar generation and environmental attributes. Projected in-service date is June 1, 2022.

Encumbrances

As discussed in note I.D., Budgetary information, encumbrances are utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end the amount of encumbrances in governmental funds expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	$ 883,097
Capital Projects Fund	42,701,532
Nonmajor Governmental Funds	991,525
Total	$ 44,576,154

F. Tax Abatements

The City enters into economic development incentive agreements with entities to promote development and redevelopment within the City, stimulate commercial activity, generate additional sales tax, and enhance the property tax base and economic vitality of the City. Some agreements provide for an abatement of property taxes, while others provide for a rebate of a portion of sales and use tax or a portion of ad valorem (property) tax, as established per the agreements. The incentives are performance-based, and the City generally expects to receive increased revenue as a result of the agreements. These incentive agreements require approval by a City Council ordinance and are authorized under Chapter 312 (Property Redevelopment and Tax Abatement Act) of the Texas Tax Code and Chapter 380 of the Texas Local Government Code.

Property Tax Abatements

Tax abatements under Chapter 312 of the Texas Tax Code allow the City to designate tax reinvestment zones and negotiate tax abatement agreements with applicants. In 1990, the City Council adopted a resolution setting guidelines and criteria for granting abatements in the reinvestment zones which specifically notes incentives are limited to companies which create new wealth and do not adversely affect existing businesses operating within the City. The City is required to renew/adopt a Tax Abatement Policy every two years in accordance with Chapter 312 of the Texas Tax Code. The last policy was adopted in March of 2018. The abatement agreements authorize the appraisal districts to reduce the assessed value of the taxpayer's property by a percentage specified in the agreement, and the taxpayer will pay taxes on the lower assessed value during the term of the agreement. For the fiscal year ended September 30, 2018, the City abated property taxes totaling $432,226 under this program, as detailed in the following agreements:

- Target – In 2010, a 65% tax abatement agreement for a $100 million project was granted to Target Corporation for a period of five years for a 400,000 square foot frozen and refrigerated food distribution center and to help offset costs to improve Airport and Corbin roads. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least $5 million, the agreement provides for a full refund all abatements previously granted plus interest.

The abatement amount for the current fiscal year was $395,868, which was the final abatement on this agreement.

- Tetra Pak – In 2013, a 65% tax abatement agreement for a term of four years was granted to Tetra Pak Materials LP on new capital investments, including a 32,000 square foot expansion of their facility and relocating their corporate headquarter operations from Chicago to Denton. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least $5 million, the agreement provides for a full refund all abatements previously granted plus interest. The abatement amount for the current fiscal year was $36,358, with one year remaining.

The City has three additional abatement agreements not listed above becoming effective in future fiscal years should the grantees meet the obligations of the agreements. The three agreements are for West Gate Business Park, Peterbilt, and Tyson Sales and Distribution.

380 Agreements

The City Council has the authority under Chapter 380 of the Texas Local Government Code to grant or loan City funds in order to accomplish specific economic development goals. These incentives are considered on a case-by-case basis. The City has target industry sectors for recruitment that will be given priority consideration: aviation/aerospace, advanced manufacturing, renewable energy, research and development, information technology, supply chain for existing primary employers, and significant consumers of municipal utilities. Consideration may also be given for projects causing infill redevelopment or other desirable development objectives and/or any other activity which the City Council determines meets a specific public purpose for economic development.

Each agreement is based on the contribution in sales or property tax or both. For the fiscal year ended September 30, 2018, the City rebated sales taxes totaling $2,316,510 and property taxes totaling $114,926, as detailed in the following agreements:

- Denton Crossing – In 2001, an agreement was approved for the 500,000 square foot, $50 million Denton Crossing retail center. The grantee receives one-third of the City sales tax, or 0.5%, generated by the project for a maximum of fifteen years as reimbursement for public improvement costs related to the project not to exceed $7,250,000 plus accrued interest. The tax rebates initiated in 2005 and will terminate in 2020. The tax rebate amount for the current fiscal year was $579,035.

- Unicorn Lake – In 2004, an agreement was approved for Unicorn Lake, an urban-style mixed-use development. The grantee receives one-third of the City sales tax, or 0.5%, generated by the project for a maximum of fifteen years as reimbursement for public improvement costs related to the project not to exceed $6,664,901 plus accrued interest. The tax rebates initiated in 2010 and will terminate in 2025. The tax rebate amount for the current fiscal year was $75,011.

- Rayzor Ranch – In 2007, an agreement was approved for the Rayzor Ranch mixed-use development. The 410-acre project will have over one million square feet of retail and will be built in two phases. The agreement provides a sales tax reimbursement of one half of the City sales tax, or 0.75%, generated by the project for public improvement costs, which include the widening of a state highway bisecting the project. The grantee will receive a maximum of $20 million over a 15 year term for phase one and a maximum of $48 million over a term of 20 years for phase two. An additional 15% of the City sales tax, or 0.225%, was added to both phases to offset the hotel and convention center costs until $5 million is reached. As of the current fiscal year, the tax rebate amount for phase one was $1,219,390 and the tax rebate amount for phase two was $300,903.

- Golden Triangle Mall – In 2011, an agreement was approved for a major renovation of the Golden Triangle Mall. A threshold of a minimum $45 to $65 million was required as an investment into the property to receive a one half share of the sales tax resulting from the renovations, less a monthly mall

baseline amount established at $95,898. The total grant payments are estimated between $7.12 and $9.5 million and may not exceed 15.83% of the required investment. The tax rebates initiated in 2016 and will terminate in 2035. The tax rebate amount for the current fiscal year was $82,163.

- Schlumberger – In 2010, an agreement was granted to Grand Mesa for the renovation and equipping of the building for Schlumberger. The agreement was assigned to Schlumberger Technology Corporation in 2012 equal to one half of new property tax revenue generated for their 150,000 square foot regional maintenance facility. Agreement thresholds require maintaining $5 million in real property improvements and business personal property valuation and the creation of 80 jobs with an average wage of $45,000. The term of the agreement is seven years and will terminate in 2018. In the event of a failure to meet the conditions of the agreement, the agreement provides for a full refund of all rebates previously granted plus interest. The tax rebate amount for the current fiscal year was $51,232.

- Mayday Manufacturing – In 2012, an agreement was approved for Mayday Manufacturing/Tailwind Technologies for the relocation of the business and expansion of a manufacturing facility. The agreement provides a 75% tax rebate on the increment of property tax revenue generated above the base valuation for a period of ten years. In the event of a failure to meet the conditions of the agreement, an increased assessed value of real property of at least $3 million, the agreement provides for a 50% refund of all rebates previously granted. The tax rebate amount for the current fiscal year was $29,633.

- West Gate Business Park – In 2015, an agreement was approved for West Gate Business Park (WGBP) for industrial development and provided for a 70% rebate of increased City property tax revenue generated for a period of ten years. WGBP includes three multi-tenant buildings totaling 413,000 square feet of new industrial/manufacturing space in the City. In 2016 the agreement was amended to include a 70% rebate on building 1 improvements and to add a one-time grant payment in the amount of $50,000. A separate tax abatement agreement for building 2 and 3 was also approved so WGBP could be eligible to apply for a tax abatement from Denton County. The terms of the agreement include a 60% abatement of City property taxes attributable to new capital investments resulting in an increased assessed value of real property improvements. The amount of the abatement may be increased by an additional 5% for a national headquarters and/or 10% for a supplier in support of major employers in Denton. The tax rebate amount for the current fiscal year was $34,061.

- WinCo Foods – In 2015, an agreement was approved for WinCo Foods for a $135 million, 800,000 square foot distribution facility expected to create 165 jobs with an annual payroll of around $7.2 million. In the event of a failure to meet the conditions of the agreement, the agreement provides for a 20-50% refund of all rebates previously granted, depending on the timing of a failure. Winco received reimbursement for infrastructure financing from Water and Wastewater funds and a local sales and use tax grant for the construction and equipping of the facility in prior fiscal years, completing those portions of the agreement. The active portion of the agreement provides for the following:

    - A grant equal to 100% of the incremental property tax generated by the property and paid into the Tax Increment Fund by both the City and the County, paid annually until the full reimbursement of the project costs for public improvements is reached. These payments have not initiated as of the current fiscal year.

    - A grant equal to 60% of City property taxes attributable to improvements resulting in an increase of assessed value of real property improvements and tangible personal property, paid annually until full reimbursement of the project costs for public improvements is

reached. Once this full reimbursement is reached, the 60% property tax rebate will continue for a period of four years as long as the increase in investment in improvements is $50 million excluding purchase price of the property. These payments have not initiated as of the current fiscal year.

- O'Reilly Hotel Partners Denton – In 2015, an agreement was approved for O'Reilly Hotel Partners Denton for a convention center with a hotel and restaurant located in the Rayzor Ranch Town Center. The agreement includes a 100% rebate of the property tax (excluding land, inventory, vehicles, and supplies), hotel occupancy tax, and sales tax generated by the project. The term is for a maximum of 25 years or a combined principal ($28 million) and interest ($26 million) amount of $54 million is reached, whichever comes first. The agreement also includes 100% rebate of the construction sales tax up to $850,000, then 50% thereafter. In the event of a failure to meet the conditions of the agreement, the agreement provides for a 100% refund of all rebates granted in the previous year. The construction sales tax rebate amount for the current fiscal year was accrued in the amount of $60,008, and when combined with prior year's accrual, brings the total rebate payment made in January 2019 to $396,936. This completes the construction sales tax portion of the agreement. The payments related to property taxes, hotel occupancy taxes, and general sales taxes will be initiated in the following fiscal year.

The City has two additional Chapter 380 agreements not listed above becoming effective in future fiscal years should the grantees meet the obligations of the agreements. The two agreements are for United States Cold Storage and Sally Beauty. Sally Beauty came online in the following fiscal year and received one payment of $542. Conditions of the grant require Sally Beauty occupy the improvements continuously for the term of the grant. As Sally Beauty has announced its intent to close its 3900 Morse Street location, the City will terminate the grant.

G. Litigation

Various claims and lawsuits are pending against the City. In accordance with GAAP, those judgments considered "probable" are accrued, while those claims and judgments considered "reasonably possible" are disclosed but not accrued. In the opinion of City management and legal counsel, the maximum amount of all significant claims considered reasonably possible, excluding condemnation proceedings and the item described following, is approximately $500,000 as of September 30, 2018. Potential losses after insurance coverage on all probable claims and lawsuits will not have a material effect on the City's financial position as of September 30, 2018.

H. Subsequent Events

The City has evaluated all events or transactions that occurred after September 30, 2018 up through February 28, 2019, the date the financial statements were issued. Except for the suspended status of the Gibbons Creek power generation facility of TMPA, as disclosed in note V.E., there were no significant subsequent events to disclose.

I. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) issued the following statements which became effective for the fiscal year 2018.

Statement No. 75 "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*" (OPEB) – This Statement replaces the requirements of Statements No. 45 and No. 57 related to OPEB. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions, OPEB. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions

and OPEB) with regard to providing decision-useful information and changes the focus of OPEB accounting from whether the employer is responsibly funding the OPEB benefits to reporting a liability in the financial statements for any unfunded portion of benefits earned to-date. Implementation resulted in the restatement of the beginning net position of the governmental activities and the business-type activities in the government-wide financial statements and the beginning net position of the Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds and Internal Service Funds. The restatement included the elimination of the previously reporting OPEB obligation liability, the recording of the beginning total OPEB liability, and the beginning deferred outflow for OPEB contributions made subsequent to the measurement date of December 31, 2017. The total adjustment of $26,312,505 is shown in more detail in footnote I.G. *Prior Period Adjustments.* See also footnote V.B. *Post-employment Benefits Other than Pensions (OPEB)* for disclosure requirements.

Statement No. 81 "Irrevocable Split-Interest Agreements" – This Statement establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts in which a donor irrevocably transfers resources to an intermediary, who administers these resources for the unconditional benefit of a government and at least one other beneficiary. This Statement had no impact on the financial statements.

Statement No. 85 "*Omnibus 2017"* – This Statement addresses practice issues identified during implementation and application of certain GASB Statements, a variety of topics including issues related to blending component units, goodwill, fair value measurement application, and post-employment benefits.

Statement No. 86 "*Certain Debt Extinguishment Issues"* – This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets, other than the proceeds of refunding debt, are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt extinguished and notes to financial statements for debt that is defeased in-substance. The City had no refunding bonds issued during the current fiscal year, and there was no impact of this Statement on the financial statements.

Statement No. 82 "Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73" – This Statement establishes and clarifies accounting and financial reporting requirements for pensions provided to the employees of state or local governmental employers, specifically (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee contribution requirements.

The following statements for the GASB are effective for future fiscal years ending as listed below. The City is in the process of reviewing and evaluating these statements and their potential impact on the City's financial statements.

Statement No. 83 "*Certain Asset Retirement Obligations"* – This Statement addresses accounting and financial reporting for certain asset retirement obligations, a legally enforceable liability associated with the retirement of a tangible capital asset. Criteria are established for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for these obligations. This Statement will become effective for the City in fiscal year 2019.

Statement No. 84 "*Fiduciary Activities"* – This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus is generally on whether a government is controlling the assets of the fiduciary activity and on the beneficiaries with whom a fiduciary relationship exists. This Statement will become effective for the City in fiscal year 2020.

Statement No. 87 "*Leases"* – This Statement is to improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the City in fiscal year 2021.

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CITY
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DENTON

CITY OF DENTON, TEXAS **Exhibit XII**
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)[1]

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017
Total pension liability:				
Service Cost	$ 10,667,694	$ 12,615,957	$ 13,925,238	$ 14,514,171
Interest (on the total pension liability)	25,182,941	26,905,700	27,656,654	29,543,513
Difference between expected and actual experience	(171,241)	(1,525,911)	763,589	1,514,980
Change of assumptions	-	(428,789)	-	-
Benefit payments, including refunds of employee contributions	(11,387,617)	(12,697,735)	(13,023,330)	(16,349,644)
Net change in total pension liability	24,291,777	24,869,222	29,322,151	29,223,020
Total pension liability - beginning	360,116,261	384,408,038	409,277,260	438,599,411
Total pension liability - ending (a)	$ 384,408,038	$ 409,277,260	$ 438,599,411	$ 467,822,431
Plan fiduciary net position:				
Contributions - employer	$ 13,065,763	$ 13,615,410	$ 14,046,860	$ 14,821,752
Contributions - employee	4,991,415	5,365,231	5,712,464	6,014,227
Net investment income	16,867,596	469,530	21,947,635	48,954,660
Benefit payments, including refunds of employee contributions	(11,387,617)	(12,697,735)	(13,023,330)	(16,349,644)
Administrative expense	(176,083)	(285,957)	(247,766)	(253,578)
Other	(14,477)	(14,123)	(13,349)	(12,851)
Net change in plan fiduciary net position	23,346,597	6,452,356	28,422,514	53,174,566
Plan fiduciary net position - beginning	294,819,596	318,166,193	324,618,549	353,041,063
Plan fiduciary net position - ending (b)	$ 318,166,193	$ 324,618,549	$ 353,041,063	$ 406,215,629
Net pension liability - ending (a) - (b)	$ 66,241,845	$ 84,658,711	$ 85,558,348	$ 61,606,802
Plan fiduciary net position as a percentage of total pension liability	82.77%	79.32%	80.49%	86.83%
Covered payroll	$ 71,025,494	$ 76,646,157	$ 81,481,789	$ 85,227,078
Net pension liability as a percentage of covered payroll	93.26%	110.45%	105.00%	72.29%

[1]**Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.**

CITY OF DENTON, TEXAS **Exhibit XIII**
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (Unaudited)

Fiscal Year	(a) Actuarially Determined Contributions	(b) Contributions in Relation to the Actuarially Determined Contributions	(c) Contribution Excess (Deficiency) (b) - (a)	(d) Covered Payroll	Contributions as a Percentage of Covered Payroll (b)/(d)
2009	9,709,279	7,952,938	(1,756,341)	57,250,108	13.89%
2010	11,194,086	8,849,577	(2,344,509)	59,457,345	14.88%
2011	11,580,085	9,579,358	(2,000,727)	58,139,688	16.48%
2012	11,475,702	10,435,001	(1,040,701)	60,340,212	17.29%
2013	12,174,640	12,171,482	(3,158)	64,940,234	18.74%
2014	12,912,746	12,911,461	(1,285)	69,872,024	18.48%
2015	13,507,272	13,507,272	-	75,379,632	17.92%
2016	14,435,638	14,435,638	-	83,127,601	17.37%
2017	14,648,606	14,648,606	-	84,753,377	17.28%
2018	14,931,800	14,931,800	-	86,832,074	17.20%

Notes to Schedule:
Actuarial determined contribution rates are calculated as of December 31st and become effective in January, 13 months later. Contributions above do not include contributions into the supplemental death benefit fund.

Methods and assumptions used to determine contribution rate for 2018:

Actuarial Cost Method	**Entry Age Normal**
Amortization Method	**Level Percentage of Payroll, Closed**
Remaining Amortization Period	**28 Years (Equivalent Single Amortization Period of 17.1 years)**
Asset Valuation Method	**10 Year Smoothed Market; 15% Soft Corridor**
Inflation	**2.50%**
Salary Increases	**3.50% to 10.50% including inflation**
Investment Rate of Return	**6.75%**
Retirement Age	**Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014.**
Mortality	**RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.**

CITY OF DENTON, TEXAS **Exhibit XIV**

REQUIRED SUPPLEMENTARY INFORMATION

DENTON FIREMEN'S RELIEF AND RETIREMENT FUND

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

LAST FOUR FISCAL YEARS (PREVIOUS YEARS ARE NOT AVAILABLE)[1]

	Measurement Year 2014	Measurement Year 2015	Measurement Year 2016	Measurement Year 2017
Total pension liability:				
Service Cost	$ 2,747,253	$ 2,836,263	$ 3,089,911	$ 3,182,608
Interest (on the total pension liability)	5,685,396	5,998,959	6,135,588	6,493,255
Difference between expected and actual experie	-	(2,063,421)	-	2,040,716
Change of assumptions	-	2,331,908	-	-
Benefit payments, including refunds of employee contributions	(4,036,009)	(4,048,358)	(4,270,006)	(3,768,829)
Net change in total pension liability	4,396,640	5,055,351	4,955,493	7,947,750
Total pension liability - beginning	80,490,694	84,887,334	89,942,685	94,898,178
Total pension liability - ending (a)	$ 84,887,334	$ 89,942,685	$ 94,898,178	$ 102,845,928
Plan fiduciary net position:				
Contributions - employer	$ 2,566,875	$ 2,567,219	$ 2,759,844	$ 2,979,807
Contributions - employee	1,745,419	1,803,064	1,997,155	2,142,990
Net investment income	4,411,066	(3,287,188)	6,935,215	8,793,234
Benefit payments, including refunds of employee contributions	(4,036,009)	(4,048,358)	(4,270,006)	(3,768,829)
Administrative expense	(81,005)	(76,538)	(94,175)	(63,669)
Net change in plan fiduciary net position	4,606,346	(3,041,801)	7,328,033	10,083,533
Plan fiduciary net position - beginning	66,412,172	71,018,518	67,976,717	75,304,750
Plan fiduciary net position - ending (b)	$ 71,018,518	$ 67,976,717	$ 75,304,750	$ 85,388,283
Net pension liability - ending (a) - (b)	$ 13,868,816	$ 21,965,968	$ 19,593,428	$ 17,457,645
Plan fiduciary net position as a percentage of total pension liability	83.66%	75.58%	79.35%	83.03%
Covered payroll	$ 14,238,486	$ 14,310,032	$ 15,850,437	$ 17,007,857
Net pension liability as a percentage of covered payroll	97.40%	153.50%	123.61%	102.64%

[1]**Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.**

CITY OF DENTON, TEXAS **Exhibit XV**
REQUIRED SUPPLEMENTARY INFORMATION
FIREMEN'S RELIEF AND RETIREMENT FUND
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (Unaudited)

Fiscal Year	(a) Annual Required Contributions	(b) Contributions in Relation to the Annual Required Contributions	(c) Contribution Excess (Deficiency) (b) - (a)	(d) Covered Payroll	Contributions as a Percentage of Covered Payroll (b)/(d)
2009	1,747,908	1,747,908	-	12,485,061	14.00%
2010	1,976,419	1,976,419	-	13,070,041	15.12%
2011	2,141,662	2,141,662	-	12,828,446	16.69%
2012	2,253,667	2,253,667	-	12,899,800	17.47%
2013	2,579,453	2,579,453	-	13,629,825	18.93%
2014	2,576,652	2,576,652	-	13,828,070	18.63%
2015	2,535,719	2,535,719	-	14,029,051	18.07%
2016	2,819,046	2,819,046	-	15,540,826	18.14%
2017	2,924,757	2,924,757	-	16,747,217	17.46%
2018	3,310,248	3,310,248	-	18,080,014	18.31%

Notes to Schedule:
Annual required contributions are not actuarially determined. According to a City ordinance, since December 2017 the City contributes to the Firemen's Relief and Retirement Fund at the rate of 18.5%, the assumed actuarial valuation rate over the unfunded liability amortization period.

While the contribution requirements are not actuarially determined, state law requires an actuary certify the assumed City contribution rate is adequate. Methods and assumptions used to contribution adequacy for fiscal year 2018:

Actuarial Cost Method	**Entry Age**
Amortization Method	**Level Percentage of Payroll, Open**
Remaining Amortization Period	**15 Years**
Asset Valuation Method	**5-year smoothing**
Inflation	**2.50%**
Salary Increases	**3.00% annual general compensation increase plus promotion, step, and longevity increases which average 1.98% per year over a 30-year career**
Investment Rate of Return	**6.75%, net of pension plan investment expense, including inflation**
Retirement Age	**Average expected age at retirement of 57**
Mortality	**RP-2000 Combined Healthy Mortality Tables projected to 2024 for males and for females (sex distinct)**

CITY OF DENTON, TEXAS **Exhibit XVI**

REQUIRED SUPPLEMENTARY INFORMATION
MEDICAL OTHER POST-EMPLOYMENT BENEFITS
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR (PREVIOUS YEARS ARE NOT AVAILABLE)[1]

	Measurement Year 2017
Total OPEB liability:	
Service Cost	$ 1,750,172
Interest (on the total OPEB liability)	1,360,179
Change of assumptions or other inputs	2,067,787
Benefit payments	(742,818)
Net change in total OPEB liability	4,435,320
Total OPEB liability - beginning	35,196,570
Total OPEB liability - ending	$ 39,631,890
Covered-employee payroll	$ 104,783,403
Net pension liability as a percentage of covered-employee payroll	37.82%

[1]Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

Methods and assumptions used to determine contribution rate for 2018:

Actuarial cost method	**Individual Entry-Age Normal**
Discount rate	**3.31% (Based on the Fidelity Index's "20-Year Municipal GO AA Index" rates as of December 31, 2017.) The prior year discount rate was 4.00%.**
Inflation rate	**2.50%**
Projected salary increases	**3.5% to 10.5% including inflation**
Healthcare trend rates	**Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years.**
Mortality	**RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.**
Participation rates	**60% for retirees age 65 or older at retirement** **45% for retirees between the ages of 50 and 64 at retirement** **0% for retirees under age 50 at retirement**

CITY OF DENTON, TEXAS **Exhibit XVII**

REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFIT FUND
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST FISCAL YEAR (PREVIOUS YEARS ARE NOT AVAILABLE)[1]

	Measurement Year 2017
Total OPEB liability:	
Service Cost	$ 144,886
Interest (on the total OPEB liability)	106,885
Change of assumptions or other inputs	270,541
Benefit payments	(17,045)
Net change in total OPEB liability	505,267
Total OPEB liability - beginning	2,763,726
Total OPEB liability - ending	$ 3,268,993
Covered-employee payroll	$ 85,227,078
Net pension liability as a percentage of covered-employee payroll	3.84%

[1]Schedule is intended to present information for ten years. Additional years of information will be presented as they become available.

Methods and assumptions used to determine contribution rate for 2018:

Inflation rate	**2.50% per annum**
Discount rate	**3.31% (Based on the Fidelity Index's "20-Year Municipal GO AA Index" rates as of December 31, 2017.) The prior year discount rate was 3.78%.**
Actuarial cost method	**Entry Age Normal**
Projected salary increases	**3.5% to 10.5% including inflation**
Mortality	**RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.**

CITY OF DENTON, TEXAS **Exhibit XVIII**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Taxes	$ 21,443,770	$ 21,443,770	$ 21,480,611	$ -	$ 21,480,611	$ 36,841
Investment revenue	200,000	200,000	288,340	-	288,340	88,340
Total revenues	21,643,770	21,643,770	21,768,951	-	21,768,951	125,181
EXPENDITURES:						
Debt service:						
Principal, interest and fiscal charges	85,790,964	85,810,964	21,941,087	63,854,719	85,795,806	15,158
Total expenditures	85,790,964	85,810,964	21,941,087	63,854,719	85,795,806	15,158
Excess (deficiency) of revenues over (under) expenditures	(64,147,194)	(64,167,194)	(172,136)	(63,854,719)	(64,026,855)	140,339
OTHER FINANCING SOURCES (USES):						
Transfers in	64,147,194	64,147,194	292,475	63,854,719	64,147,194	-
Total other financing sources (uses)	64,147,194	64,147,194	292,475	63,854,719	64,147,194	-
Net change in fund balance	-	(20,000)	120,339	-	120,339	140,339
Fund balance at beginning of year	5,409,144	5,409,144	5,409,144	-	5,409,144	-
Fund balance at end of year	$ 5,409,144	$ 5,389,144	$ 5,529,483	$ -	$ 5,529,483	$ 140,339

Adjustments - Budgetary Basis are pass-through debt service payments budgeted as transfers in from enterprise and internal service funds.
Other Financing Sources (Uses) related to refunding are adjusted out as they are non-budgeted items reducing future debt service payments.

CITY
OF
DENTON

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Community Development Block Grant (CDBG) – to account for the operations of projects utilizing Community Development Block Grant Funds. Such revenues are restricted to expenditures for specified projects by the Department of Housing and Urban Development.

Recreation – to account for the revenues and expenditures for the recreation programs that are self-supporting. All expenditures will be reimbursed 100%. Various business operations, such as concessions, fall into this account.

Criminal Justice – to account for revenue received from the State of Texas Criminal Justice Division and other grants administered by the police department.

Police Confiscation – to account for revenues received from confiscated goods. Expenditures are restricted to enhancing law enforcement.

Tourist and Convention – to account for taxes received from hotel and motel occupancy for the purpose of promoting tourism.

Street Improvement – to account for street maintenance and improvement activities.

Gas Well Revenues – to account for the receipt of royalty, pooling, tax, and lease revenue related to park gas wells.

Citizens' Park Trusts – to account for several small trust funds that are for park development.

All Other – to account for miscellaneous special revenue sources that are required to finance specific activities.

CITY OF DENTON, TEXAS **Exhibit XIX**
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF SEPTEMBER 30, 2018

	Special Revenue Funds				
	Community Development Block Grant	Recreation	Criminal Justice	Police Confiscation	Tourist and Convention
ASSETS					
Cash, cash equivalents and investments, at fair value	$ -	$ 391,545	$ -	$ 317,581	$ 2,185,606
Receivables (net of allowances):					
Taxes	-	-	-	-	253,507
Accrued interest	-	1,906	-	1,552	10,682
Other	-	5,202	7,849	-	-
Due from other governments	534,802	-	135,686	-	-
Total assets	$ 534,802	$ 398,653	$ 143,535	$ 319,133	$ 2,449,795
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	134,768	34,897	2,778	-	-
Interfund payables	347,978	-	140,757	-	-
Retainage payable	-	-	-	-	-
Unearned revenues	-	-	-	-	-
Total liabilities	482,746	34,897	143,535	-	-
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - intergovernmental	34,384	2,749	53,372	-	-
Total deferred inflows of revenues	34,384	2,749	53,372	-	-
FUND BALANCES (DEFICIT):					
Restricted for:					
Parks and recreation	-	-	-	-	-
Streets and drainage projects	-	-	-	-	-
Other grants and purposes	52,056	-	-	319,133	2,449,795
Committed to:					
Streets	-	-	-	-	-
Parks and recreation	-	361,007	-	-	-
Other purposes	-	-	-	-	-
Assigned to:					
Other purposes	-	-	-	-	-
Unassigned	(34,384)	-	(53,372)	-	-
Total fund balance (deficit)	17,672	361,007	(53,372)	319,133	2,449,795
Total liabilities, deferred inflows of resources, and fund balances (deficit)	$ 534,802	$ 398,653	$ 143,535	$ 319,133	$ 2,449,795

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XIX**
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (concluded)
AS OF SEPTEMBER 30, 2018

	Special Revenue Funds				Total
	Street Improvement	Gas Well Revenues	Citizens' Park Trusts	All Other	Nonmajor Governmental Funds
ASSETS					
Cash, cash equivalents and investments, at fair value	$ 1,920,445	$ 84,619	$ 5,620,642	$ 10,550,825	$ 21,071,263
Receivables (net of allowances):	-				
Taxes	-	-	-	-	253,507
Accrued interest	9,386	414	27,472	51,571	102,983
Other	-	12,873	-	300,066	325,990
Due from other governments	-	-	-	1,109,698	1,780,186
Total assets	$ 1,929,831	$ 97,906	$ 5,648,114	$ 12,012,160	$ 23,533,929
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	306,404	-	262,528	644,742	1,386,117
Interfund payables	-	-	-	-	488,735
Retainage payable	-	-	4,463	-	4,463
Unearned revenues	-	-	-	22,750	22,750
Total liabilities	306,404	-	266,991	667,492	1,902,065
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue - intergovernmental	-	1,153	-	858,679	950,337
Total deferred inflows of revenues	-	1,153	-	858,679	950,337
FUND BALANCES (DEFICIT):					
Restricted for:					
Parks and recreation	-	96,753	5,381,123	86,138	5,564,014
Streets and drainage projects	-	-	-	3,767,616	3,767,616
Other grants and purposes	-	-	-	4,337,859	7,158,843
Committed to:					
Streets	1,623,427	-	-	-	1,623,427
Parks and recreation	-	-	-	-	361,007
Other purposes	-	-	-	3,150,491	3,150,491
Assigned to:					
Other purposes	-	-	-	59	59
Unassigned	-	-	-	(856,174)	(943,930)
Total fund balance (deficit)	1,623,427	96,753	5,381,123	10,485,989	20,681,527
Total liabilities, deferred inflows of resources, and fund balances (deficit)	$ 1,929,831	$ 97,906	$ 5,648,114	$ 12,012,160	$ 23,533,929

(concluded)

CITY OF DENTON, TEXAS **Exhibit XX**
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds				
	Community Development Block Grant	Recreation	Criminal Justice	Police Confiscation	Tourist and Convention
REVENUES:					
Tax revenue	$ -	$ -	$ -	$ -	$ 2,733,720
Franchise fees	-	-	-	-	-
Fines and forfeitures	-	-	-	41,105	-
Fees for services	-	1,897,758	-	-	-
Investment revenue	-	5,185	-	5,824	27,912
Intergovernmental	1,431,735	-	218,099	-	-
Miscellaneous	335,391	62,239	-	-	430
Total revenues	1,767,126	1,965,182	218,099	46,929	2,762,062
EXPENDITURES:					
General government	1,755,477	-	-	-	2,452,042
Public safety	-	-	252,073	81,131	-
Public works	-	-	-	-	-
Parks and recreation	-	1,843,057	-	-	-
Capital outlay	-	-	-	119,584	-
Total expenditures	1,755,477	1,843,057	252,073	200,715	2,452,042
Excess (deficiency) of revenues over (under) expenditures	11,649	122,125	(33,974)	(153,786)	310,020
OTHER FINANCING SOURCES (USES):					
Sale of capital assets	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	(200,928)	-	-	(115,252)
Total other financing sources (uses)	-	(200,928)	-	-	(115,252)
Net change in fund balances	11,649	(78,803)	(33,974)	(153,786)	194,768
Fund balance (deficit) at beginning of year	6,023	439,810	(19,398)	472,919	2,255,027
Fund balance (deficit) at end of year	$ 17,672	$ 361,007	$ (53,372)	$ 319,133	$ 2,449,795

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XX**
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (concluded)
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Street Improvement	Gas Well Revenues	Citizens' Park Trusts	All Other	
REVENUES:					
Tax revenue	$ -	$ -	$ -	$ 867,486	$ 3,601,206
Franchise fees	12,743,755	-	-	-	12,743,755
Fines and forfeitures	-	-	-	1,975,620	2,016,725
Fees for services	292,517	91,664	621,074	410,263	3,313,276
Investment revenue	933	703	61,645	59,388	161,590
Intergovernmental	-	-	-	3,153,233	4,803,067
Miscellaneous	1,647	-	-	3,774,568	4,174,275
Total revenues	13,038,852	92,367	682,719	10,240,558	30,813,894
EXPENDITURES:					
General government	-	-	-	508,153	4,715,672
Public safety	-	-	-	2,508,590	2,841,794
Public works	10,968,166	-	-	-	10,968,166
Parks and recreation	-	-	5,313	279,537	2,127,907
Capital outlay	-	-	937,601	372,673	1,429,858
Total expenditures	10,968,166	-	942,914	3,668,953	22,083,397
Excess (deficiency) of revenues over (under) expenditures	2,070,686	92,367	(260,195)	6,571,605	8,730,497
OTHER FINANCING SOURCES (USES):					
Sale of capital assets	114,351	-	-	-	114,351
Transfers in	1,034,581	-	66,443	224,335	1,325,359
Transfers out	(2,754,858)	(100,000)	-	(1,727,020)	(4,898,058)
Total other financing sources (uses)	(1,605,926)	(100,000)	66,443	(1,502,685)	(3,458,348)
Net change in fund balances	464,760	(7,633)	(193,752)	5,068,920	5,272,149
Fund balance (deficit) at beginning of year	1,158,667	104,386	5,574,875	5,417,069	15,409,378
Fund balance (deficit) at end of year	$ 1,623,427	$ 96,753	$ 5,381,123	$ 10,485,989	$ 20,681,527

(concluded)

CITY OF DENTON, TEXAS **Exhibit XXI**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: RECREATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Fees for services	$ 2,113,074	$ 2,113,074	$ 1,897,758	$ -	$ 1,897,758	$ (215,316)
Investment revenue	5,500	5,500	5,185	-	5,185	(315)
Miscellaneous	25,000	25,000	62,239	-	62,239	37,239
Total revenues	2,143,574	2,143,574	1,965,182	-	1,965,182	(178,392)
EXPENDITURES:						
Parks and recreation	1,985,835	1,984,907	1,843,057	(205,848)	1,637,209	347,698
Total expenditures	1,985,835	1,984,907	1,843,057	(205,848)	1,637,209	347,698
Excess of revenues over expenditures	157,739	158,667	122,125	205,848	327,973	169,306
OTHER FINANCING USES:						
Transfers out	(407,739)	(408,667)	(200,928)	(205,848)	(406,776)	1,891
Total other financing uses	(407,739)	(408,667)	(200,928)	(205,848)	(406,776)	1,891
Net change in fund balance	(250,000)	(250,000)	(78,803)	-	(78,803)	171,197
Fund balance at beginning of year	439,810	439,810	439,810	-	439,810	-
Fund balance at end of year	$ 189,810	$ 189,810	$ 361,007	$ -	$ 361,007	$ 171,197

Adjustments - Budgetary Basis are expenditures allocated from and reimbursed to other funds. These expenditures are recorded as operating expenditures but budgeted as cost of service transfers.

CITY OF DENTON, TEXAS **Exhibit XXII**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: POLICE CONFISCATION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Fines and forfeitures	$ 210,000	$ 210,000	$ 41,105	$ -	$ 41,105	$ (168,895)
Investment revenue	3,500	3,500	5,824	-	5,824	2,324
Miscellaneous	50,000	50,000	-	-	-	(50,000)
Total revenues	263,500	263,500	46,929	-	46,929	(216,571)
EXPENDITURES:						
Public safety	255,000	255,000	81,131	-	81,131	173,869
Capital outlay	120,584	120,584	119,584	-	119,584	1,000
Total expenditures	375,584	375,584	200,715	-	200,715	174,869
Net change in fund balance	(112,084)	(112,084)	(153,786)	-	(153,786)	(41,702)
Fund balance at beginning of year	472,919	472,919	472,919	-	472,919	-
Fund balance at end of year	$ 360,835	$ 360,835	$ 319,133	$ -	$ 319,133	$ (41,702)

CITY OF DENTON, TEXAS **Exhibit XXIII**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: TOURIST AND CONVENTION FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Taxes	$ 3,052,174	$ 3,052,174	$ 2,733,720	$ -	$ 2,733,720	$ (318,454)
Investment revenue	-	-	27,912	-	27,912	27,912
Miscellaneous	-	-	430	-	430	430
Total revenues	3,052,174	3,052,174	2,762,062	-	2,762,062	(290,112)
EXPENDITURES:						
General government	3,287,764	3,172,512	2,452,042	-	2,452,042	720,470
Total expenditures	3,287,764	3,172,512	2,452,042	-	2,452,042	720,470
Excess (deficit) of revenues over (under) expenditures	(235,590)	(120,338)	310,020	-	310,020	430,358
OTHER FINANCING SOURCES:						
Transfers out	-	(115,252)	(115,252)	-	(115,252)	-
Total other financing sources	-	(115,252)	(115,252)	-	(115,252)	-
Net change in fund balance	(235,590)	(235,590)	194,768	-	194,768	430,358
Fund balance at beginning of year	2,255,027	2,255,027	2,255,027	-	2,255,027	-
Fund balance at end of year	$ 2,019,437	$ 2,019,437	$ 2,449,795	$ -	$ 2,449,795	$ 430,358

CITY OF DENTON, TEXAS **Exhibit XXIV**

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: STREET IMPROVEMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Franchise fees	$ 12,476,060	$ 12,476,060	$ 12,743,755	$ -	$ 12,743,755	$ 267,695
Fees for services	357,000	357,000	292,517	-	292,517	(64,483)
Investment revenue	10,000	10,000	933	-	933	(9,067)
Miscellaneous	-	-	1,647	-	1,647	1,647
Total revenues	12,843,060	12,843,060	13,038,852	-	13,038,852	195,792
EXPENDITURES:						
Public Works	13,660,015	10,975,488	10,968,166	(115,015)	10,853,151	122,337
Debt service:						
Principal retirement	59,165	59,165	-	-	-	59,165
Interest and other charges	-	-	-	-	-	-
Total expenditures	13,719,180	11,034,653	10,968,166	(115,015)	10,853,151	181,502
Excess (deficit) of revenues over (under) expenditures	(876,120)	1,808,407	2,070,686	115,015	2,185,701	377,294
OTHER FINANCING SOURCES (USES):						
Sale of capital assets	-	-	114,351	-	114,351	114,351
Transfers in	1,118,135	1,118,135	1,034,581	-	1,034,581	(83,554)
Transfers out	(242,015)	(2,926,542)	(2,754,858)	(115,015)	(2,869,873)	56,669
Total other financing sources (uses)	876,120	(1,808,407)	(1,605,926)	(115,015)	(1,720,941)	87,466
Net change in fund balance	-	-	464,760	-	464,760	464,760
Fund balance at beginning of year	1,158,667	1,158,667	1,158,667	-	1,158,667	-
Fund balance at end of year	$ 1,158,667	$ 1,158,667	$ 1,623,427	$ -	$ 1,623,427	$ 464,760

Adjustments - Budgetary Basis are expenditures allocated from and reimbursed to other funds. These expenditures are recorded as operating expenditures but budgeted as cost of service transfers.

CITY OF DENTON, TEXAS **Exhibit XXV**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL

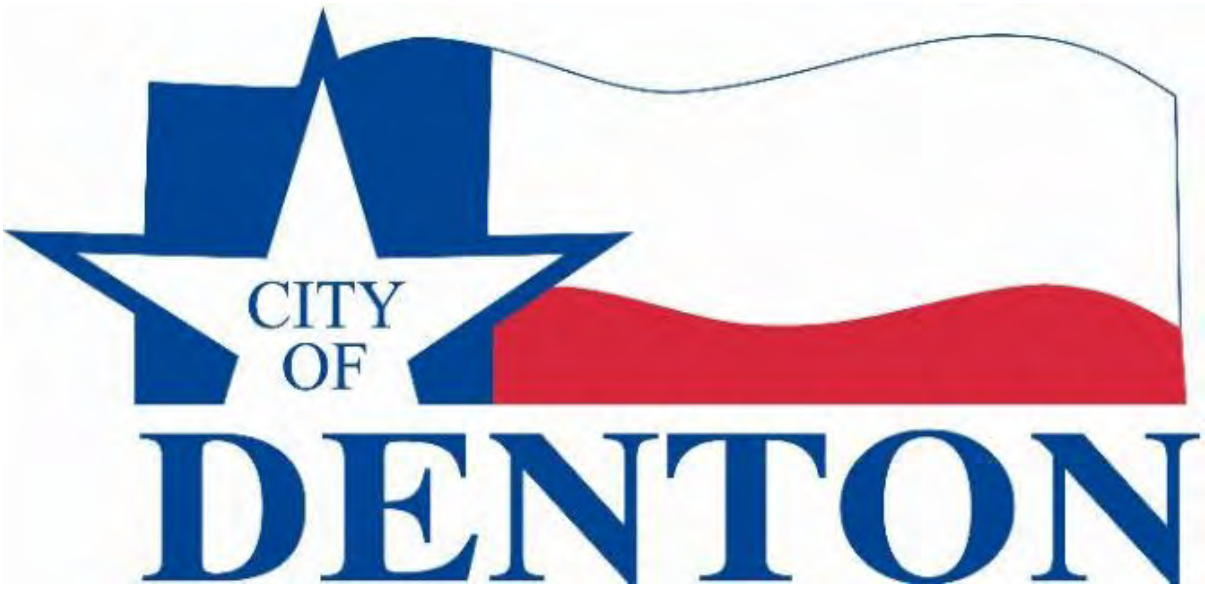
SPECIAL REVENUE FUNDS: GAS WELL REVENUES FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Fees for service	$ 50,000	$ 50,000	$ 91,664	$ -	$ 91,664	$ 41,664
Investment revenue	1,000	1,000	703	-	703	(297)
Miscellaneous	-	-	-	-	-	-
Total revenues	51,000	51,000	92,367	-	92,367	41,367
OTHER FINANCING USES:						
Transfers out	(100,000)	(100,000)	(100,000)	-	(100,000)	-
Total other financing uses	(100,000)	(100,000)	(100,000)	-	(100,000)	-
Net change in fund balance	(49,000)	(49,000)	(7,633)	-	(7,633)	41,367
Fund balance at beginning of year	104,386	104,386	104,386	-	104,386	-
Fund balance at end of year	$ 55,386	$ 55,386	$ 96,753	$ -	$ 96,753	$ 41,367

CITY OF DENTON, TEXAS **Exhibit XXVI**
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
SPECIAL REVENUE FUNDS: CITIZENS' PARK TRUSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual	Adjustments - Budgetary	Actual on a Budgetary	Variance with Final Budget - Positive
	Original	Final	Amounts	Basis	Basis	(Negative)
REVENUES:						
Fees for service	$ 300,000	$ 300,000	$ 621,074	$ -	$ 621,074	$ 321,074
Investment revenue	45,000	45,000	61,645	-	61,645	16,645
Total revenues	345,000	345,000	682,719	-	682,719	337,719
EXPENDITURES:						
Parks and recreation	-	-	5,313	-	5,313	(5,313)
Capital outlay	900,000	1,100,000	937,601	-	937,601	162,399
Total expenditures	900,000	1,100,000	942,914	-	942,914	157,086
Deficit of revenues under expenditures	(555,000)	(755,000)	(260,195)	-	(260,195)	494,805
OTHER FINANCING USES:						
Transfers in	-	-	66,443	-	66,443	66,443
Total other financing uses	-	-	66,443	-	66,443	66,443
Net change in fund balance	(555,000)	(755,000)	(193,752)	-	(193,752)	561,248
Fund balance at beginning of year	5,574,875	5,574,875	5,574,875	-	5,574,875	-
Fund balance at end of year	$ 5,019,875	$ 4,819,875	$ 5,381,123	$ -	$ 5,381,123	$ 561,248


CITY
OF
DENTON

INTERNAL SERVICE FUNDS

Internal Service Funds account for the financing of goods or services provided by one department for another.

The City has six Internal Service Funds as follows:

Materials Management Fund – to account for the financing of goods and services provided by the Materials Management operations of purchasing and warehouse to other City departments. Purchasing is responsible for procuring goods and services for City departments, and the warehouse maintains an inventory of materials and supplies used by City departments. Warehouse items are billed to other departments at cost of parts plus 8 percent. Actual costs include depreciation on machinery and equipment used to provide the service.

Fleet Services Fund – to account for the financing of goods and services provided by the Municipal Garage and Machine Shop to other City departments. Municipal Garage and Machine Shop billings include cost of parts plus 25 percent and labor charges. Actual costs include depreciation on the building, improvements, machinery, and equipment used to provide the service.

Health Insurance Fund – to account for the accumulation of resources for the self-insurance activities of the City for employee medical insurance as well as other employee insurance benefits including long-term disability, short-term disability, dental insurance, and vision insurance.

Risk Retention Fund – to account for the accumulation of resources for the payment of activities associated with providing general liability insurance coverage and self-funded activities for City operations.

Technology Services Fund – to account for the accumulation of resources to provide computer services such as programming, support, training, maintenance, and office services to City departments.

Engineering Services Fund – to account for providing engineering, real estate, public works inspection, and development review services primarily to internal City departments although some services are provided to external entities.

CITY OF DENTON, TEXAS **Exhibit XXVII**
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
AS OF SEPTEMBER 30, 2018

	Materials Management Fund	Fleet Services Fund	Health Insurance Fund	Risk Retention Fund
ASSETS:				
Current assets:				
Cash, cash equivalents and investments, at fair value	$ 280,720	$ 1,818,793	$ 4,874,945	$ 3,337,093
Receivables, net of allowances:				
Accrued interest	-	8,890	23,827	16,310
Other	-	107,938	-	-
Merchandise inventory	6,478,205	105,393	-	-
Prepaid items	11,437	-	148,457	-
Total current assets	6,770,362	2,041,014	5,047,229	3,353,403
Noncurrent assets:				
Restricted assets:				
Cash, cash equivalents and investments, at fair value	-	-	-	-
Accrued interest	-	-	-	-
Escrow deposit	-	-	189,000	-
Capital assets, net of accumulated depreciation	754,730	4,399,284	-	-
Total noncurrent assets	754,730	4,399,284	189,000	-
Total assets	7,525,092	6,440,298	5,236,229	3,353,403
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred charges on refunding	13,531	6,089	-	-
Deferred pension balances	258,581	306,182	-	158,506
Deferred other post employment benefits balances	43,608	45,927	-	22,185
Total deferred outflows of resources	315,720	358,198	-	180,691
LIABILITIES:				
Current liabilities:				
Accounts payable	247,870	604,673	-	43,963
Claims payable	-	-	1,974,963	447,400
Compensated absences payable	54,998	103,737	-	42,662
Accrued interest	1,135	1,891	-	-
Interfund payables	5,065,000	-	-	-
Payable from restricted assets:				
Certificate and general obligation bonds	44,871	240,155	-	-
Total current liabilities	5,413,874	950,456	1,974,963	534,025
Noncurrent liabilities:				
Payable from restricted assets:				
General obligation bonds payable	185,660	65,873	-	-
Certificates of obligation	-	120,641	-	-
Compensated absences payable	1,293	36,362	-	18,876
Claims payable	-	-	-	2,361,155
Net pension liability	692,374	875,625	-	445,253
Total other post-employment benefits liability	641,311	673,643	-	324,253
Total noncurrent liabilities:	1,520,638	1,772,144	-	3,149,537
Total liabilities	6,934,512	2,722,600	1,974,963	3,683,562
DEFERRED INFLOWS OF RESOURCES:				
Deferred pension balances	242,856	275,798	-	144,555
Total deferred inflows of resources	242,856	275,798	-	144,555
NET POSITION:				
Net investment in capital assets	537,730	3,978,704	-	-
Restricted for capital acquisition	-	-	-	-
Unrestricted	125,714	(178,606)	3,261,266	(294,023)
Total net position	$ 663,444	$ 3,800,098	$ 3,261,266	$ (294,023)

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXVII**
COMBINING STATEMENT OF NET POSITION (concluded)
INTERNAL SERVICE FUNDS
AS OF SEPTEMBER 30, 2018

	Technology Services Fund	Engineering Services Fund	Total Internal Service Funds
ASSETS:			
Current assets:			
Cash, cash equivalents and investments, at fair value	$ 7,264,453	$ 977,347	$ 18,553,351
Receivables, net of allowances:			
Accrued interest	35,506	4,777	89,310
Other	-	-	107,938
Merchandise inventory	-	-	6,583,598
Prepaid items	123,869	-	283,763
Total current assets	7,423,828	982,124	25,617,960
Noncurrent assets:			
Restricted assets:			
Cash, cash equivalents and investments, at fair value	4,137,449	-	4,137,449
Accrued interest	20,222	-	20,222
Escrow deposit	-	-	189,000
Capital assets, net of accumulated depreciation	3,216,935	90,836	8,461,785
Total noncurrent assets	7,374,606	90,836	12,808,456
Total assets	14,798,434	1,072,960	38,426,416
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred charges on refunding	59	-	19,679
Deferred pension balances	837,515	634,750	2,195,534
Deferred other post employment benefits balances	103,588	69,602	284,910
Total deferred outflows of resources	941,162	704,352	2,500,123
LIABILITIES:			
Current liabilities:			
Accounts payable	759,279	145,787	1,801,572
Claims payable	-	-	2,422,363
Compensated absences payable	238,295	164,496	604,188
Accrued interest	38	-	3,064
Interfund payables	-	-	5,065,000
Payable from restricted assets:			
Certificate and general obligation bonds	10,101	-	295,127
Total current liabilities	1,007,713	310,283	10,191,314
Noncurrent liabilities:			
Payable from restricted assets:			
General obligation bonds payable	-	-	251,533
Certificates of obligation	-	-	120,641
Compensated absences payable	20,372	8,836	85,739
Claims payable	-	-	2,361,155
Net pension liability	2,087,317	1,603,577	5,704,146
Total other post-employment benefits liability	1,499,819	1,001,524	4,140,550
Total noncurrent liabilities:	3,607,508	2,613,937	12,663,764
Total liabilities	4,615,221	2,924,220	22,855,078
DEFERRED INFLOWS OF RESOURCES:			
Deferred pension balances	818,305	614,148	2,095,662
Total deferred inflows of resources	818,305	614,148	2,095,662
NET POSITION:			
Net investment in capital assets	3,206,893	90,836	7,814,163
Restricted for capital acquisition	4,157,671	-	4,157,671
Unrestricted	2,941,506	(1,851,892)	4,003,965
Total net position	$ 10,306,070	$ (1,761,056)	$ 15,975,799

(concluded)

CITY OF DENTON, TEXAS **Exhibit XXVIII**
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Materials Management Fund	Fleet Services Fund	Health Insurance Fund	Risk Retention Fund
OPERATING REVENUES:				
Charges for goods and services	$ 10,943,897	$ 10,334,892	$ 26,017,794	$ 2,935,274
Miscellaneous	120,769	6,445	891,727	41,834
Total operating revenues	11,064,666	10,341,337	26,909,521	2,977,108
OPERATING EXPENSES:				
Operating expenses before depreciation	11,172,392	9,696,272	28,552,395	3,942,471
Depreciation	19,297	217,838	-	-
Total operating expenses	11,191,689	9,914,110	28,552,395	3,942,471
Operating income (loss)	(127,023)	427,227	(1,642,874)	(965,363)
NONOPERATING REVENUES (EXPENSES):				
Investment revenue	3,299	13,175	60,799	41,930
Interest expense and fiscal charges	(11,435)	(13,613)	-	-
Gain on disposal of capital assets	2,756	7,480	-	-
Total non-operating revenues (expenses)	(5,380)	7,042	60,799	41,930
Income (loss) before contributions and transfers	(132,403)	434,269	(1,582,075)	(923,433)
Capital contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	(8,500)
Change in net position	(132,403)	434,269	(1,582,075)	(931,933)
Net position at beginning of year - as previously stated	1,235,031	3,783,323	4,843,341	863,295
Prior period adjustment (Note I.E)	(439,184)	(417,494)	-	(225,385)
Net position at beginning of year	795,847	3,365,829	4,843,341	637,910
Total net position at end of year	$ 663,444	$ 3,800,098	$ 3,261,266	$ (294,023)

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXVIII**
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION (concluded)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Technology Services Fund	Engineering Services Fund	Total Internal Service Funds
OPERATING REVENUES:			
Charges for goods and services	$ 14,033,366	$ 5,011,366	$ 69,276,589
Miscellaneous	47,433	-	1,108,208
Total operating revenues	14,080,799	5,011,366	70,384,797
OPERATING EXPENSES:			
Operating expenses before depreciation	10,783,067	4,991,937	69,138,534
Depreciation	1,634,152	18,271	1,889,558
Total operating expenses	12,417,219	5,010,208	71,028,092
Operating income (loss)	1,663,580	1,158	(643,295)
NONOPERATING REVENUES (EXPENSES):			
Investment revenue	66,782	14,242	200,227
Interest expense and fiscal charges	(11,494)	-	(36,542)
Gain on disposal of capital assets	-	-	10,236
Total non-operating revenues (expenses)	55,288	14,242	173,921
Income (loss) before contributions and transfers	1,718,868	15,400	(469,374)
Capital contributions	-	52,876	52,876
Transfers in	5,702,000	-	5,702,000
Transfers out	(41,520)	(90,289)	(140,309)
Change in net position	7,379,348	(22,013)	5,145,193
Net position at beginning of year - as previously stated	3,980,703	(1,102,261)	13,603,432
Prior period adjustment (Note I.E)	(1,053,981)	(636,782)	(2,772,826)
Net position at beginning of year	2,926,722	(1,739,043)	10,830,606
Total net position at end of year	$ 10,306,070	$ (1,761,056)	$ 15,975,799

(concluded)

CITY OF DENTON, TEXAS **Exhibit XXIX**
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Materials Management Fund	Fleet Services Fund	Health Insurance Fund	Risk Retention Fund
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 11,064,666	$ 10,324,954	$ 26,909,521	$ 3,189,198
Cash paid to employees for services	(1,484,460)	(1,706,500)	-	(856,436)
Cash paid to suppliers	(9,254,417)	(7,945,086)	(28,553,228)	(2,819,111)
Net cash provided (used) by operations	325,789	673,368	(1,643,707)	(486,349)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers out	-	-	-	(8,500)
Transfers in	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	-	-	(8,500)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Principal payments on capital debt	(37,716)	(237,366)	-	-
Interest and fiscal charges	(9,802)	(20,030)	-	-
Principal payments under capital lease obligation	-	-	-	-
Proceeds from capital contributions and transfers in	-	-	-	-
Acquisition and construction of capital assets	(14,693)	(285,823)	-	-
Net cash provided (used) by capital financing activities	(62,211)	(543,219)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale and maturities of investment securities	-	579,554	3,404,504	1,780,722
Purchase of investment securities	-	(338,723)	(1,035,508)	(711,606)
Interest received on investments	3,299	11,676	65,413	42,322
Net cash provided (used) by investing activities	3,299	252,507	2,434,409	1,111,438
Net increase in cash and cash equivalents	266,877	382,656	790,702	616,589
Cash and cash equivalents at beginning of year	13,843	201,174	774,148	454,613
Cash and cash equivalents at end of year	280,720	583,830	1,564,850	1,071,202
Investments, at fair value	-	1,234,963	3,310,095	2,265,891
Cash, cash equivalents and investments, at fair value	$ 280,720	$ 1,818,793	$ 4,874,945	$ 3,337,093
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ (127,023)	$ 427,227	$ (1,642,874)	$ (965,363)
Adjustments:				
Depreciation expense	19,297	217,838	-	-
Decrease (Increase) in receivables	-	(16,383)	-	212,090
Decrease in inventories	952,561	7,025	-	-
Decrease (Increase) in prepaid items	(503)	-	(148,457)	-
Increase (Decrease) in accounts payable	(515,965)	(20,487)	147,624	249,105
Increase (decrease) in compensated absences	(1,856)	22,425	-	795
Decrease in interfund payables	(35,000)	-	-	-
Decrease in net pension balances	(4,488)	(5,075)	-	(2,664)
Increase in other post-employment benefit balances	38,766	40,798	-	19,688
Total adjustments	452,812	246,141	(833)	479,014
Net cash provided (used) by operating activities	$ 325,789	$ 673,368	$ (1,643,707)	$ (486,349)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:				
Decrease in fair value of investments	-	(6,050)	(13,262)	(10,025)
Capital asset contributions	-	-	-	-

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXIX**
COMBINING STATEMENT OF CASH FLOWS (concluded)
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Technology Services Fund	Engineering Services Fund	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 14,080,799	$ 5,011,366	$ 70,580,504
Cash paid to employees for services	(4,752,302)	(3,647,522)	(12,447,220)
Cash paid to suppliers	(5,691,599)	(1,470,879)	(55,734,320)
Net cash provided (used) by operations	3,636,898	(107,035)	2,398,964
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers out	(41,520)	(90,289)	(140,309)
Transfers in	167,000	-	167,000
Net cash provided (used) by noncapital financing activities	125,480	(90,289)	26,691
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Principal payments on capital debt	(10,000)	-	(285,082)
Interest and fiscal charges	(11,614)	-	(41,446)
Principal payments under capital lease obligation	(443,839)	-	(443,839)
Proceeds from capital contributions and transfers in	5,535,000	-	5,535,000
Acquisition and construction of capital assets	(2,331,208)	-	(2,631,724)
Net cash provided (used) by capital financing activities	2,738,339	-	2,132,909
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from sale and maturities of investment securities	1,445,241	553,566	7,763,587
Purchase of investment securities	(4,902,534)	(196,261)	(7,184,632)
Interest received on investments	32,511	14,578	169,799
Net cash provided (used) by investing activities	(3,424,782)	371,883	748,754
Net increase in cash and cash equivalents	3,075,935	174,559	5,307,318
Cash and cash equivalents at beginning of year	584,059	139,168	2,167,005
Cash and cash equivalents at end of year	3,659,994	313,727	7,474,323
Investments, at fair value	7,741,908	663,620	15,216,477
Cash, cash equivalents and investments, at fair value	$ 11,401,902	$ 977,347	$ 22,690,800
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	$ 1,663,580	$ 1,158	$ (643,295)
Adjustments:			
Depreciation expense	1,634,152	18,271	1,889,558
Decrease (Increase) in receivables	-	-	195,707
Decrease in inventories	-	-	959,586
Decrease (Increase) in prepaid items	62,379	-	(86,581)
Increase (Decrease) in accounts payable	210,673	(145,672)	(74,722)
Increase (decrease) in compensated absences	(10,391)	(30,903)	(19,930)
Decrease in interfund payables	-	-	(35,000)
Decrease in net pension balances	(15,180)	(11,383)	(38,790)
Increase in other post-employment benefit balances	91,685	61,494	252,431
Total adjustments	1,973,318	(108,193)	3,042,259
Net cash provided (used) by operating activities	$ 3,636,898	$ (107,035)	$ 2,398,964
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:			
Decrease in fair value of investments	(46,438)	(2,861)	(78,636)
Capital asset contributions	-	52,876	52,876

(concluded)

CITY OF DENTON, TEXAS **Exhibit XXIX**
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Balance October 1, 2017	Additions	Deductions	Balance September 30, 2018
OTHER AGENCY FUNDS				
ASSETS				
Cash, cash equivalents and investments, at fair value	**$ 182,026**	**$ 1,250,405**	**$ 1,242,432**	**$ 189,999**
Total assets	**$ 182,026**	**$ 1,250,405**	**$ 1,242,432**	**$ 189,999**
LIABILITIES				
Accounts payable	**$ 182,026**	**$ 1,250,405**	**$ 1,242,432**	**$ 189,999**
Total liabilities	**$ 182,026**	**$ 1,250,405**	**$ 1,242,432**	**$ 189,999**

CITY OF DENTON, TEXAS **Exhibit XXXI**
CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES BY SOURCE*
AS OF SEPTEMBER 30, 2017 AND 2018

	2018	2017
Governmental funds capital assets:		
Land	**$ 21,445,129**	**$ 20,880,354**
Work in progress	**85,427,192**	**56,604,771**
Buildings	**69,079,254**	**63,587,711**
Plant, machinery and equipment	**93,134,039**	**84,848,684**
Infrastructure	**284,834,482**	**267,898,072**
Total governmental funds capital assets	**$ 553,920,096**	**$ 493,819,592**
Investments in governmental funds capital assets by source:		
General fund	**$ 206,600,034**	**$ 198,261,192**
Special revenue funds	**9,905,613**	**9,442,322**
Capital projects funds	**337,414,449**	**286,116,078**
Total governmental funds capital assets	**$ 553,920,096**	**$ 493,819,592**

***This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.**

CITY OF DENTON, TEXAS **Exhibit XXXII**
CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY*
AS OF SEPTEMBER 30, 2018

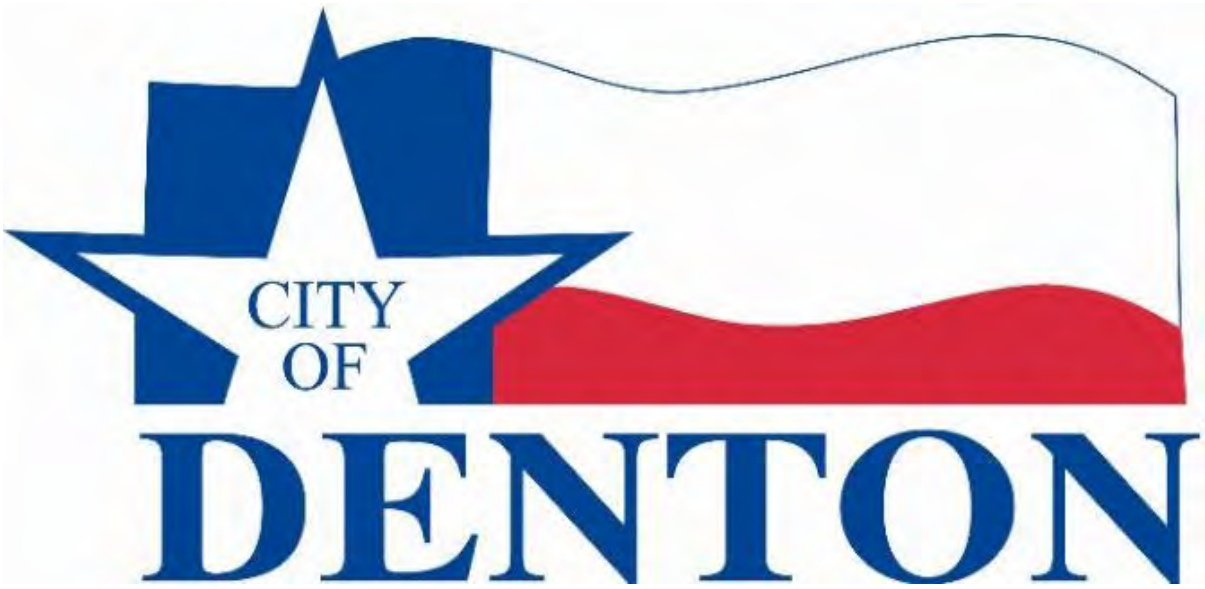
Function and Activity	Land	Buildings	Plant, Machinery and Equipment	Infrastructure	Work in Progress	Total
General government:						
Finance	$ -	$ -	$ 403,130	$ -	$ 45	$ 403,175
Legal	-	-	358,124	-	-	358,124
Human resources	-	-	74,643	-	-	74,643
City manager/economic development	-	808,462	966,397	-	-	1,774,859
Facilities management	2,742,115	15,529,855	15,455,202	742,665	1,430,142	35,899,979
Library	-	12,050,477	8,244,983	14,715	-	20,310,175
Building inspections	-	-	428,876	-	-	428,876
Planning/community development	-	494,500	649,473	275,011	-	1,418,984
Engineering	-	-	-	-	3,770,648	3,770,648
Community improvement services	-	-	227,467	-	-	227,467
Gas Well Review	-	-	27,478	-	-	27,478
Reprographics	-	-	150,155	-	-	150,155
Total general government	2,742,115	28,883,294	26,985,928	1,032,391	5,200,835	64,844,563
Public works:						
Traffic operations	1,236	14,600	1,868,994	20,971,956	1,211,861	24,068,647
Streets	991,371	5,000	7,295,207	242,117,736	62,298,015	312,707,329
Total public works	992,607	19,600	9,164,201	263,089,692	63,509,876	336,775,976
Parks and recreation	11,586,219	17,115,410	16,652,427	20,707,399	5,464,640	71,526,095
Public safety:						
Fire administration	2,720,603	-	266,186	-	-	2,986,789
Fire operations	2,399,521	17,003,276	17,796,955	5,000	10,570,987	47,775,739
Fire prevention	-	-	1,467,598	-	-	1,467,598
Emergency medical services	-	-	417,131	-	-	417,131
Police	-	11,993	19,496,129	-	646,849	20,154,971
Animal services	1,004,064	6,045,681	389,377	-	33,898	7,473,020
Municipal court/judge/clerks	-	-	498,107	-	107	498,214
Total public safety	6,124,188	23,060,950	40,331,483	5,000	11,251,841	80,773,462
Total governmental funds capital assets	$ 21,445,129	$ 69,079,254	$ 93,134,039	$ 284,834,482	$ 85,427,192	$ 553,920,096

***This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.**

CITY OF DENTON, TEXAS **Exhibit XXXIII**
CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY*
FOR THE YEAR ENDED SEPTEMBER 30, 2018

Function and Activity	Governmental Funds Capital Assets October 1, 2017	Additions	Deductions	Governmental Funds Capital Assets September 30, 2018
General government:				
Finance	$ 45,930	$ 357,200	$ -	$ 403,130
Legal	358,124	-	-	358,124
Human resources	74,643	-	-	74,643
City manager/economic development	1,722,690	52,169	-	1,774,859
Facilities management	33,668,995	850,062	(49,220)	34,469,837
Library	19,920,506	504,222	(114,553)	20,310,175
Building inspections	384,222	44,654	-	428,876
Planning/community development	1,161,984	257,000	-	1,418,984
Community improvement services	231,403	72,299	(76,235)	227,467
Gas Well Review	27,478	-	-	27,478
Reprographics	150,155	-	-	150,155
Total general government	57,746,130	2,137,606	(240,008)	59,643,728
Public works:				
Traffic operations	21,898,882	957,904	-	22,856,786
Streets	237,651,150	13,653,397	(895,233)	250,409,314
Total public works	259,550,032	14,611,301	(895,233)	273,266,100
Parks and recreation	59,243,535	7,017,708	(199,788)	66,061,455
Public safety:				
Fire administration	2,981,464	5,325	-	2,986,789
Fire operations	30,893,623	6,334,295	(23,166)	37,204,752
Fire prevention	1,467,598	-	-	1,467,598
Emergency medical services	417,131	-	-	417,131
Police	16,925,776	2,922,838	(340,492)	19,508,122
Animal services	7,491,425	-	(52,303)	7,439,122
Municipal court/judge/clerks	498,107	-	-	498,107
Total public safety	60,675,124	9,262,458	(415,961)	69,521,621
Work in progress	56,604,771	55,212,231	(26,389,810)	85,427,192
Total governmental funds capital assets	$ 493,819,592	$ 88,241,304	$ (28,140,800)	$ 553,920,096

***This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net position.**


CITY
OF
DENTON

STATISTICAL SECTION

This part of the City of Denton's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the city's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the city's financial performance and well-being have changed over time. (Tables 1 – 4)

Revenue Capacity

These schedules contain information to help the reader assess the city's most significant local revenue source, the property tax. These tables do not include the Electric fund information due to confidentiality of information necessary for competitive rates. (Tables 5 – 8)

Debt Capacity

These schedules present information to help the reader assess the affordability of the city's current level of outstanding debt and the city's ability to issue additional debt in the future. (Tables 9 – 12)

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the city's financial activities take place. (Tables 13 – 14)

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the city's financial report relates to the services the city provides and the activities it performs. (Tables 15 – 17)

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF DENTON, TEXAS **Table 1**
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2009	2010	2011	2012	2013
Governmental activities					
Net investment in capital assets	$ 102,110,134	$ 104,636,239	$ 103,073,465	$ 101,784,929	$ 116,146,838
Restricted	1,947,553	2,894,676	2,839,556	3,460,027	4,116,256
Unrestricted	38,252,078	46,480,569	34,590,673	35,005,109	35,136,072
Total governmental activities net position	142,309,765	154,011,484	140,503,694	140,250,065	155,399,166
Business-type activities					
Net investment in capital assets	282,463,031	277,356,195	296,006,601	315,479,026	347,780,207
Restricted	33,380,595	30,598,923	30,454,314	28,559,731	28,654,879
Unrestricted	109,826,810	131,497,936	158,120,736	169,653,341	158,145,443
Total business-type activities net position	425,670,436	439,453,054	484,581,651	513,692,098	534,580,529
Primary government					
Net investment in capital assets	384,573,165	381,992,434	399,080,066	417,263,955	463,927,045
Restricted	35,328,148	33,493,599	33,293,870	32,019,758	32,771,135
Unrestricted	148,078,888	177,978,505	192,711,409	204,658,450	193,281,515
Total primary government net position	$ 567,980,201	$ 593,464,538	$ 625,085,345	$ 653,942,163	$ 689,979,695

(continued on the following page)

Source: Comprehensive Annual Financial Reports

CITY OF DENTON, TEXAS **Table 1**
NET POSITION BY COMPONENT (concluded)
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2014	2015	2016	2017	2018
Governmental activities					
Net investment in capital assets	$ 128,915,116	$ 141,914,877	$ 145,309,987	$ 165,408,284	$ 194,210,730
Restricted	12,233,226	13,215,421	13,736,624	14,530,908	21,654,948
Unrestricted	28,096,148	(8,775,520)	(3,620,580)	(6,509,698)	(19,332,607)
Total governmental activities net position	169,244,490	146,354,778	155,426,031	173,429,494	196,533,071
Business-type activities					
Net investment in capital assets	383,678,313	421,894,337	460,330,063	502,801,204	540,697,505
Restricted	28,056,605	25,356,458	8,892,547	11,516,207	20,209,408
Unrestricted	139,515,508	122,542,446	151,234,604	145,191,889	177,836,401
Total business-type activities net position	551,250,426	569,793,241	620,457,214	659,509,300	738,743,314
Primary government					
Net investment in capital assets	512,593,429	563,809,214	605,640,050	668,209,488	734,908,235
Restricted	40,289,831	38,571,879	22,629,171	26,047,115	41,864,356
Unrestricted	167,611,656	113,766,926	147,614,024	138,682,191	158,503,794
Total primary government net position	$ 720,494,916	$ 716,148,019	$ 775,883,245	$ 832,938,794	$ 935,276,385

(concluded)

Source: Comprehensive Annual Financial Reports

CITY OF DENTON, TEXAS **Table 2**
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2009	2010	2011	2012	2013
EXPENSES					
Governmental activities:					
General government	$ 27,482,131	$29,569,535	$28,198,604	$29,421,275	$27,686,735
Public safety	45,368,783	47,998,906	49,154,371	52,496,010	52,906,985
Public works	15,816,065	15,767,926	16,089,302	18,662,029	18,663,884
Parks and recreation	12,755,037	12,854,336	12,421,893	12,968,426	13,714,245
Interest expense	5,733,268	5,121,329	5,046,724	4,755,938	4,464,309
Total governmental activities expenses	107,155,284	111,312,032	110,910,894	118,303,678	117,436,158
Business-type activities:					
Electric system	124,901,262	114,903,831	117,769,599	122,428,808	146,246,880
Water system	28,636,190	27,219,944	28,293,109	26,822,690	26,814,020
Wastewater system	19,909,229	20,560,600	20,455,424	20,890,614	21,467,088
Solid waste	18,036,331	18,028,832	20,008,746	21,695,322	21,730,796
Airport	-	-	1,326,397	1,472,155	1,608,989
Total business-type activities expenses	191,483,012	180,713,207	187,853,275	193,309,589	217,867,773
Total primary government expenses	298,638,296	292,025,239	298,764,169	311,613,267	335,303,931
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	4,792,856	3,551,733	4,108,687	3,873,349	4,105,648
Public safety	6,554,619	6,431,007	7,075,328	7,069,770	7,767,083
Public works	586,377	1,425,683	525,024	1,086,269	1,159,605
Parks and recreation	2,990,921	3,372,579	3,964,517	3,951,433	4,059,383
Operating grants and contributions	2,281,136	3,407,085	4,270,697	2,598,157	3,118,105
Capital grants and contributions	3,641,296	15,206,424	7,497,908	4,292,468	14,671,571
Total governmental activities program revenues	20,847,205	33,394,511	27,442,161	22,871,446	34,881,395
Business-type activities:					
Charges for services:					
Electric system	128,511,236	119,156,314	131,435,554	132,352,950	136,655,892
Water system	30,067,774	28,407,954	36,790,720	36,265,061	37,586,306
Wastewater system	22,342,174	21,917,651	23,338,841	24,570,095	26,588,179
Solid waste	18,386,616	18,432,245	20,979,967	22,944,272	24,468,976
Airport	-	-	3,203,426	1,909,619	1,880,812
Capital grants and contributions	8,099,722	5,153,568	5,053,024	4,317,463	9,877,185
Total business-type activities program revenues	207,407,522	193,067,732	220,801,532	222,359,460	237,057,350
Total primary government program revenues	228,254,727	226,462,243	248,243,693	245,230,906	271,938,745
NET (EXPENSE)/REVENUE					
Governmental activities	(86,308,079)	(77,917,521)	(83,468,733)	(95,432,232)	(82,554,763)
Business-type activities	15,924,510	12,354,525	32,948,257	29,049,871	19,189,577
Total primary government program net expense	$ (70,383,569)	$ (65,562,996)	$ (50,520,476)	$ (66,382,361)	$ (63,365,186)

CITY OF DENTON, TEXAS **Table 2**
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2014	2015	2016	2017	2018
EXPENSES					
Governmental activities:					
General government	$30,476,840	$31,260,126	$33,847,052	$40,761,972	$37,968,945
Public safety	56,893,859	58,132,146	63,118,516	68,546,557	71,945,219
Public works	16,950,280	20,331,934	24,557,482	24,994,628	25,683,779
Parks and recreation	14,543,461	14,982,742	16,043,697	16,792,417	17,422,273
Interest expense	4,339,154	4,384,973	4,664,608	4,970,968	5,379,149
Total governmental activities expenses	123,203,594	129,091,921	142,231,355	156,066,542	158,399,365
Business-type activities:					
Electric system	157,906,294	158,106,661	145,963,753	174,900,860	168,110,899
Water system	24,023,392	25,870,489	26,000,734	28,202,500	27,481,058
Wastewater system	22,176,191	24,307,305	23,921,154	26,730,157	26,284,049
Solid waste	23,844,055	26,766,890	29,435,101	34,532,856	29,028,299
Airport	2,435,446	2,100,281	2,536,460	1,930,767	1,802,703
Total business-type activities expenses	230,385,378	237,151,626	227,857,202	266,297,140	252,707,008
Total primary government expenses	353,588,972	366,243,547	370,088,557	422,363,682	411,106,373
PROGRAM REVENUES					
Governmental activities:					
Charges for services:					
General government	4,645,655	5,364,405	6,015,305	5,266,777	6,489,438
Public safety	7,064,927	7,276,024	9,827,784	8,773,221	8,221,314
Public works	885,010	707,604	729,528	879,453	649,293
Parks and recreation	5,833,238	4,926,465	5,268,637	4,414,379	4,852,322
Operating grants and contributions	4,788,149	3,380,119	2,855,501	4,667,791	3,697,696
Capital grants and contributions	11,127,695	10,443,220	5,885,033	17,180,091	33,991,306
Total governmental activities program revenues	34,344,674	32,097,837	30,581,788	41,181,712	57,901,369
Business-type activities:					
Charges for services:					
Electric system	150,362,507	167,696,288	166,290,498	172,027,080	198,748,366
Water system	34,865,803	37,572,331	38,181,034	41,332,006	48,912,059
Wastewater system	28,629,754	30,790,885	31,900,885	33,360,603	35,594,624
Solid waste	25,980,914	29,091,216	31,236,506	33,847,593	33,590,463
Airport	1,925,825	1,277,402	1,183,661	1,495,619	1,625,672
Capital grants and contributions	5,656,622	8,593,699	7,705,101	20,347,889	20,519,510
Total business-type activities program revenues	247,421,425	275,021,821	276,497,685	302,410,790	338,990,694
Total primary government program revenues	281,766,099	307,119,658	307,079,473	343,592,502	396,892,063
NET (EXPENSE)/REVENUE					
Governmental activities	(88,858,920)	(96,994,084)	(111,649,567)	(114,884,830)	(100,497,996)
Business-type activities	17,036,047	37,870,195	48,640,483	36,113,650	86,283,686
Total primary government program net expense	$ (71,822,873)	$ (59,123,889)	$ (63,009,084)	$ (78,771,180)	$ (14,214,310)

(continued on the following page)

CITY OF DENTON, TEXAS **Table 2**
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2009	2010	2011	2012	2013
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION					
Governmental activities:					
Taxes:					
Property tax	$ 43,187,433	$43,144,645	$44,144,844	$45,174,160	$47,275,552
Sales tax[1]	20,466,772	20,484,954	22,871,282	25,886,940	26,522,473
Franchise tax	15,669,981	17,457,994	19,324,244	19,336,701	19,901,459
Hotel occupancy tax	1,239,261	1,302,617	1,513,468	1,555,347	1,910,125
Beverage tax	338,700	347,940	359,671	345,032	392,192
Bingo tax	22,915	22,611	21,963	20,889	20,774
Investment income	2,413,339	684,709	459,615	581,849	354,089
Gain on sale of capital assets	-	-	-	-	-
Miscellaneous	3,327,758	5,690,969	2,370,682	1,390,398	1,428,907
Transfers	846,119	482,801	(10,430,082)	887,287	(101,707)
Total governmental activities	87,512,278	89,619,240	80,635,687	95,178,603	97,703,864
Business-type activities:					
Investment income	6,075,453	1,653,515	1,472,078	1,638,830	1,085,856
Gain on sale of capital assets	-	-	-	-	-
Miscellaneous	557,690	257,379	278,180	(690,967)	511,291
Transfers	(846,119)	(482,801)	10,430,082	(887,287)	101,707
Total business-type activities	5,787,024	1,428,093	12,180,340	60,576	1,698,854
Total primary government	93,299,302	91,047,333	92,816,027	95,239,179	99,402,718
CHANGE IN NET POSITION					
Governmental activities	1,204,199	11,701,719	(2,833,046)	(253,629)	15,149,101
Business-type activities	21,711,534	13,782,618	45,128,597	29,110,447	20,888,431
Total primary government	$ 22,915,733	$ 25,484,337	$ 42,295,551	$ 28,856,818	$ 36,037,532

(continued on the following page)

Source: Comprehensive Annual Financial Reports

[1] **Sales tax figures in fiscal years 2010 and prior present amounts net of economic incentive payments.**

CITY OF DENTON, TEXAS **Table 2**
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2014	2015	2016	2017	2018
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION (concluded)					
Governmental activities:					
Taxes:					
Property tax	$48,833,077	$54,174,965	$58,788,255	$64,348,754	$67,185,610
Sales tax[1]	27,764,114	30,601,965	32,624,297	36,841,137	38,270,026
Franchise tax	21,001,427	21,996,031	22,659,014	24,211,081	26,007,002
Hotel occupancy tax	1,982,643	2,156,294	2,243,264	2,374,221	2,733,720
Beverage tax	419,498	573,758	597,284	617,662	632,217
Bingo tax	20,684	20,380	18,910	13,633	11,244
Investment income	563,236	759,334	1,019,594	1,330,008	1,937,579
Gain on sale of capital assets	-	707,966	498,265	192,583	188,958
Miscellaneous	1,980,545	1,220,060	1,087,504	2,042,274	4,700,466
Transfers	876,525	1,140,938	1,184,433	916,940	(1,104,290)
Total governmental activities	103,441,749	113,351,691	120,720,820	132,888,293	140,562,532
Business-type activities:					
Investment income	1,355,730	1,692,971	2,010,008	3,471,635	4,083,560
Gain on sale of capital assets	-	42,455	1,197,915	383,741	240,740
Miscellaneous	521,013	-	-	-	-
Transfers	(876,525)	(1,140,938)	(1,184,433)	(916,940)	1,104,290
Total business-type activities	1,000,218	594,488	2,023,490	2,938,436	5,428,590
Total primary government	104,441,967	113,946,179	122,744,310	135,826,729	145,991,122
CHANGE IN NET POSITION					
Governmental activities	14,582,829	16,357,607	9,071,253	18,003,463	40,064,536
Business-type activities	18,036,265	38,464,683	50,663,973	39,052,086	91,712,276
Total primary government	$ 32,619,094	$ 54,822,290	$ 59,735,226	$ 57,055,549	$ 131,776,812

(concluded)

Source: Comprehensive Annual Financial Reports

[1] Sales tax figures in fiscal years 2010 and prior present amounts net of economic incentive payments.

CITY OF DENTON, TEXAS **Table 3**
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2009	2010	2011[1]	2012	2013
General fund					
Committed to streets	$ -	$ -	$ 921,779	$ -	$ -
Assigned to use of reserves	-	-	668,116	664,894	1,377,039
Unreserved, undesignated, unassigned	22,794,955	21,526,779	22,834,108	25,171,186	24,378,139
Total general fund	22,794,955	21,526,779	24,424,003	25,836,080	25,755,178
All other governmental funds					
Reserved for:					
Debt service	2,414,288	3,354,535	-	-	-
Capital projects	35,339,606	44,970,571	-	-	-
Unreserved, undesignated reported in:					
Special revenue funds	16,435,449	13,838,425	-	-	-
Restricted for:					
Debt Service	-	-	3,279,080	3,824,438	4,572,807
Parks and recreation	-	-	9,561,244	10,496,887	9,220,953
Streets and drainage projects	-	-	21,857,670	22,004,377	23,759,574
Other capital projects	-	-	5,907,877	8,444,073	12,231,061
Other grants and purposes	-	-	1,223,822	1,789,241	2,223,626
Committed to:					
Streets	-	-	-	991,942	1,330,184
Parks and recreation	-	-	1,427,717	570,534	590,062
Other purposes	-	-	1,867,639	1,468,837	1,801,661
Assigned to:					
Streets and drainage projects	-	-	724,241	-	144,485
Other capital projects	-	-	1,332,105	3,003,344	2,599,101
Other purposes	-	-	77,341	49,026	56,900
Unassigned	-	-	(758,734)	(91,145)	(8,901)
Total all other governmental funds	$ 54,189,343	$ 62,163,531	$ 46,500,002	$ 52,551,554	$ 58,521,513

(continued on the following page)

Source: Comprehensive Annual Financial Reports

[1]**The City adopted GASB Statement No. 54 which changed the classification of governmental fund balances to nonspendable, restricted, committed, assigned, and unassigned.**

CITY OF DENTON, TEXAS **Table 3**
FUND BALANCES OF GOVERNMENTAL FUNDS (concluded)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2014	2015	2016	2017	2018
General fund					
Committed to streets	$ -	$ -	$ -	$ -	$ -
Assigned to use of reserves	661,545	-	99,365	-	1,398,704
Unreserved, undesignated, unassigned	25,176,737	27,365,168	28,070,483	31,770,773	28,918,681
Total general fund	25,838,282	27,365,168	28,169,848	31,770,773	30,317,385
All other governmental funds					
Reserved for:					
Debt service	-	-	-	-	-
Capital projects	-	-	-	-	-
Unreserved, undesignated reported in:					
Special revenue funds	-	-	-	-	-
Restricted for:					
Debt Service	4,726,841	4,791,880	4,893,032	5,409,144	5,529,483
Parks and recreation	11,584,890	14,288,659	13,553,834	10,599,568	9,153,654
Streets and drainage projects	25,790,648	42,537,941	46,511,509	51,149,305	82,702,916
Other capital projects	11,925,978	10,603,695	13,512,733	18,544,086	21,984,608
Other grants and purposes	2,465,093	3,218,466	3,319,230	4,104,036	7,158,843
Committed to:					
Streets	916,613	1,388,223	1,798,624	1,158,667	4,495,971
Parks and recreation	573,429	513,484	498,150	439,825	520,852
Other purposes	3,560,159	4,430,392	5,500,983	6,889,093	3,150,491
Assigned to:					
Streets and drainage projects	423,152	2,214,613	3,430,681	7,897,077	10,591,478
Other capital projects	2,868,390	1,666,029	3,728,955	6,945,492	7,440,133
Other purposes	34,847	49,630	74,558	59	59
Unassigned	(144,084)	(73,857)	(242,338)	(2,942,377)	(943,930)
Total all other governmental funds	$ 64,725,956	$ 85,629,155	$ 96,579,951	$ 110,193,975	$ 151,784,558

(concluded)

Source: Comprehensive Annual Financial Reports

[1]The City adopted GASB Statement No. 54 which changed the classification of governmental fund balances to nonspendable, restricted, committed, assigned, and unassigned.

CITY OF DENTON, TEXAS **Table 4**
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2009	2010	2011	2012	2013
REVENUES:					
Taxes:					
Property tax	$ 42,980,209	$ 43,326,427	$ 44,147,706	$ 45,116,485	$ 47,330,522
Sales tax[1]	20,466,772	20,484,954	22,871,282	25,886,940	26,522,473
Hotel occupancy tax	1,239,261	1,302,617	1,513,468	1,555,347	1,910,125
Beverage tax	338,700	347,940	359,671	345,032	392,192
Bingo tax	22,915	22,611	21,963	20,889	20,774
Licenses and permits	1,265,733	1,198,552	1,460,548	1,436,215	1,446,580
Franchise fees	15,669,981	17,457,994	19,324,244	19,336,701	19,901,459
Fines and forfeitures	4,972,905	4,828,159	4,929,110	5,462,133	5,342,966
Fees for services	7,595,440	12,244,258	8,395,583	8,519,763	8,683,278
Investment revenue	2,415,817	684,709	459,615	581,849	354,089
Intergovernmental	4,049,439	16,639,038	10,896,063	6,739,864	9,914,834
Miscellaneous	3,183,891	1,002,133	1,911,634	1,171,618	1,322,762
Total revenues	104,201,063	119,539,392	116,290,887	116,172,836	123,142,054
EXPENDITURES:					
General government	25,223,041	26,909,485	25,784,296	24,359,018	25,047,062
Public safety	42,540,423	44,398,442	46,561,747	48,118,051	51,303,825
Public works	6,753,314	6,517,717	7,483,926	8,608,554	9,425,446
Parks and recreation	11,444,577	11,072,061	10,913,450	11,315,951	12,274,908
Capital outlay	21,863,647	14,164,662	12,937,053	10,983,987	20,038,064
Debt service:					
Principal retirement	9,479,243	9,277,804	9,670,892	9,770,660	10,017,719
Advance refunding escrow	148,575	-	-	130,111	110,145
Bond issuance costs	105,392	78,919	29,156	163,811	181,308
Interest and other charges	5,570,770	5,095,245	5,070,734	4,758,305	4,552,348
Total expenditures	123,128,982	117,514,335	118,451,254	118,208,448	132,950,825
Excess (deficiency) of revenues over (under) expenditures	(18,927,919)	2,025,057	(2,160,367)	(2,035,612)	(9,808,771)
OTHER FINANCING SOURCES (USES):					
Refunding bonds issued	6,120,000	3,460,000	-	10,173,303	6,182,405
Payment to refunded bond escrow agent	(6,265,255)	(3,774,764)	-	(11,432,581)	(6,547,180)
Issuance of long-term debt	-	6,905,000	5,680,000	8,020,000	14,765,000
Premium on debt issuance	246,012	498,682	32,628	2,016,193	1,232,674
Insurance recoveries	-	-	-	19,961	-
Proceeds of capital lease	-	-	-	-	-
Sale of capital assets	44,865	160,495	303,307	153,127	148,417
Transfers in	10,286,496	5,815,769	1,968,253	4,741,735	2,980,448
Transfers (out)	(9,280,022)	(8,384,227)	(7,915,382)	(4,192,497)	(3,063,936)
Total other financing sources (uses)	1,152,096	4,680,955	68,806	9,499,241	15,697,828
NET CHANGE IN FUND BALANCES	$ (17,775,823)	$ 6,706,012	$ (2,091,561)	$ 7,463,629	$ 5,889,057
Debt service as a percentage of noncapital expenditures	14.9%	13.9%	14.0%	13.6%	12.9%

Source: Comprehensive Annual Financial Reports

(continued on the following page)

[1] **Sales tax figures in fiscal years 2010 and prior present amounts net of economic incentive payments.**

CITY OF DENTON, TEXAS **Table 4**
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS (concluded)
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	2014	2015	2016	2017	2018
REVENUES:					
Taxes:					
Property tax	$ 48,872,016	$ 54,230,541	$ 58,802,856	$ 64,317,641	$ 67,055,807
Sales tax[1]	27,764,114	30,601,965	32,624,297	36,841,137	38,270,026
Hotel occupancy tax	1,982,643	2,156,294	2,243,264	2,374,221	2,733,720
Beverage tax	419,498	573,758	597,284	617,662	632,217
Bingo tax	20,684	20,380	18,910	13,633	11,244
Licenses and permits	1,978,421	2,782,395	3,106,162	3,016,697	3,739,691
Franchise fees	21,001,427	21,996,031	22,659,014	24,211,081	26,007,002
Fines and forfeitures	6,261,579	6,505,175	6,433,158	6,039,401	5,539,793
Fees for services	10,187,195	9,391,260	10,927,305	10,395,166	10,536,817
Investment revenue	563,236	759,334	1,019,594	1,330,008	1,937,579
Intergovernmental	10,986,128	10,236,689	5,217,302	9,647,977	30,518,141
Miscellaneous	2,648,160	1,387,127	1,347,258	2,382,708	5,053,082
Total revenues	132,685,101	140,640,949	144,996,404	161,187,332	192,035,119
EXPENDITURES:					
General government	28,188,722	29,277,275	31,024,356	31,330,757	32,800,175
Public safety	53,380,064	55,978,174	59,067,019	61,156,694	66,355,282
Public works	9,979,997	12,439,131	11,604,966	15,871,804	14,710,211
Parks and recreation	12,808,701	13,277,516	13,987,694	14,140,518	14,671,894
Capital outlay	20,660,461	23,712,400	25,966,695	38,191,803	54,829,949
Debt service:					
Principal retirement	10,703,071	11,918,983	13,390,576	14,351,487	15,429,697
Advance refunding escrow	-	120,519	147,687	103,950	-
Bond issuance costs	86,800	181,409	154,948	171,252	284,181
Interest and other charges	4,741,257	4,647,528	5,246,925	5,819,949	6,561,442
Total expenditures	140,549,073	151,552,935	160,590,866	181,138,214	205,642,831
Excess (deficiency) of revenues over (under) expenditures	(7,863,972)	(10,911,986)	(15,594,462)	(19,950,882)	(13,607,712)
OTHER FINANCING SOURCES (USES):					
Refunding bonds issued	3,130,000	14,290,000	12,045,000	10,850,000	-
Payment to refunded bond escrow agent	(3,194,293)	(15,604,758)	(14,075,445)	(11,358,665)	-
Issuance of long-term debt	12,635,000	29,240,000	22,780,000	33,405,000	56,960,000
Premium on debt issuance	635,037	3,214,914	4,317,817	3,077,360	3,206,728
Insurance recoveries	-	-	30,624	86,992	18,135
Proceeds of capital lease	-	-	150,155	-	-
Sale of capital assets	85,059	715,685	530,054	236,068	226,025
Transfers in	3,596,433	4,557,824	8,164,575	10,856,904	15,083,695
Transfers (out)	(2,735,717)	(3,071,594)	(6,592,842)	(9,987,828)	(21,749,676)
Total other financing sources (uses)	14,151,519	33,342,071	27,349,938	37,165,831	53,744,907
NET CHANGE IN FUND BALANCES	$ 6,287,547	$ 22,430,085	$ 11,755,476	$ 17,214,949	$ 40,137,195
Debt service as a percentage of noncapital expenditures	12.9%	13.0%	13.8%	14.1%	14.6%

Source: Comprehensive Annual Financial Reports **(concluded)**

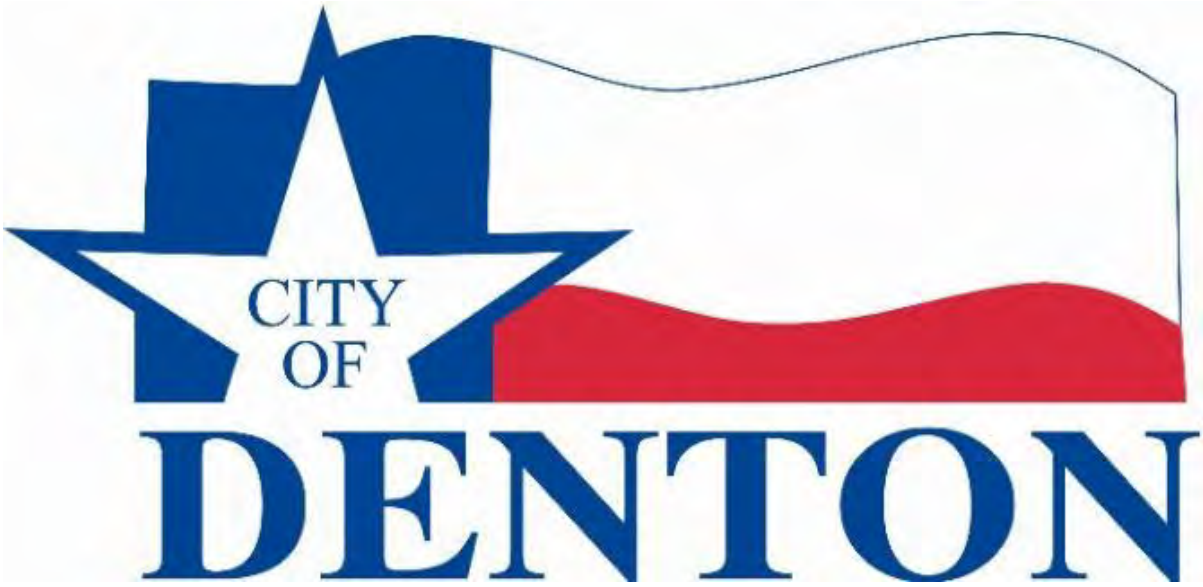
[1] **Sales tax figures in fiscal years 2010 and prior present amounts net of economic incentive payments.**

CITY OF DENTON, TEXAS **Table 5**
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Estimated Market Value: Real Property	Estimated Market Value: Personal Property	Less: Tax-Exempt Property	Total Taxable Assessed Value[1]	Total Direct Tax Rate
2009	$ 6,443,103,507	$ 938,547,047	$ 1,090,291,442	$ 6,291,359,112	0.66652
2010	6,619,118,472	922,539,801	1,213,749,251	6,327,909,022	0.66652
2011	6,744,096,534	879,202,496	1,393,181,072	6,230,117,958	0.68975
2012	6,903,311,493	933,580,101	1,424,516,590	6,412,375,004	0.68975
2013	7,083,330,127	1,125,646,116	1,492,264,875	6,716,711,368	0.68975
2014	7,427,124,969	1,161,189,421	1,609,090,116	6,979,224,274	0.68975
2015	8,285,049,321	1,329,999,883	1,817,871,596	7,797,177,608	0.68975
2016	8,989,650,946	1,332,290,743	1,858,794,929	8,463,146,760	0.68975
2017	9,784,179,133	1,429,040,012	2,040,968,652	9,172,250,493	0.68334
2018	12,013,555,794	1,267,029,706	2,344,445,871	10,936,139,629	0.63786

Source: Denton Central Appraisal District

[1]Total Taxable Assessed Value from 2013-2018 include the Downtown and West Park TIRZ's.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CITY OF DENTON, TEXAS **Table 6**
PROPERTY TAX RATES (PER $100 OF ASSESSED VALUE)
DIRECT AND OVERLAPPING[1] GOVERNMENTS
LAST TEN FISCAL YEARS

	City of Denton			Overlapping Rates		
					School Districts	
Fiscal Year	Operating Rate	Debt Service Rate	Total Direct Rate	Denton County	Denton Independent School District	Argyle Independent School District
2009	$ 0.44765	$ 0.21887	$ 0.66652	$ 0.235770	$ 1.49000	$ 1.410050
2010	0.44765	0.21887	0.66652	0.249800	1.49000	1.410050
2011	0.47088	0.21887	0.68975	0.273900	1.53000	1.440050
2012	0.47088	0.21887	0.68975	0.277357	1.53000	1.460050
2013	0.47088	0.21887	0.68975	0.282867	1.53000	1.480050
2014	0.47480	0.21495	0.68975	0.284914	1.53000	1.475000
2015	0.48119	0.20856	0.68975	0.272200	1.54000	1.570050
2016	0.47456	0.21519	0.68975	0.262000	1.54000	1.570050
2017	0.46674	0.21660	0.68334	0.248409	1.54000	1.570050
2018	0.43031	0.20755	0.63786	0.237812	1.54000	1.585050

(continued on the following page)

Source: Denton County Tax Office
Denton County Central Appraisal District

[1]**Overlapping rates are those of the school district and county government that apply to property owners within the City of Denton.**

CITY OF DENTON, TEXAS **Table 6**
PROPERTY TAX RATES (PER $100 OF ASSESSED VALUE) (concluded)
DIRECT AND OVERLAPPING[1] GOVERNMENTS
LAST TEN FISCAL YEARS

	Overlapping Rates					
	School Districts					
Fiscal Year	Aubrey Independent School District	Krum Independent School District	Pilot Point Independent School District	Ponder Independent School District	Sanger Independent School District	Total Direct & Overlapping Rates (Range)
2009	$ 1.485600	$ 1.365500	$ 1.390000	$ 1.321220	$ 1.370000	2.223510 - 2.392290
2010	1.540000	1.440000	1.370000	1.309028	1.360000	2.225348 - 2.456320
2011	1.540000	1.480000	1.370000	1.324890	1.360000	2.288540 - 2.503650
2012	1.540000	1.540000	1.370000	1.344610	1.372067	2.311717 - 2.507107
2013	1.540000	1.520000	1.370000	1.353292	1.372067	2.325909 - 2.512617
2014	1.510000	1.540000	1.370000	1.385000	1.372070	2.344664 - 2.514664
2015	1.510000	1.540000	1.370000	1.380800	1.372067	2.331950 - 2.532000
2016	1.510000	1.540000	1.370000	1.387500	1.372067	2.321750 - 2.521800
2017	1.510000	1.540000	1.370000	1.467840	1.372067	2.301749 - 2.501799
2018	1.510000	1.540000	1.370000	1.467790	1.372067	2.245668 - 2.460718

(concluded)

Source: Denton County Tax Office
Denton County Central Appraisal District

[1]**Overlapping rates are those of the school district and county government that apply to property owners within the City of Denton.**

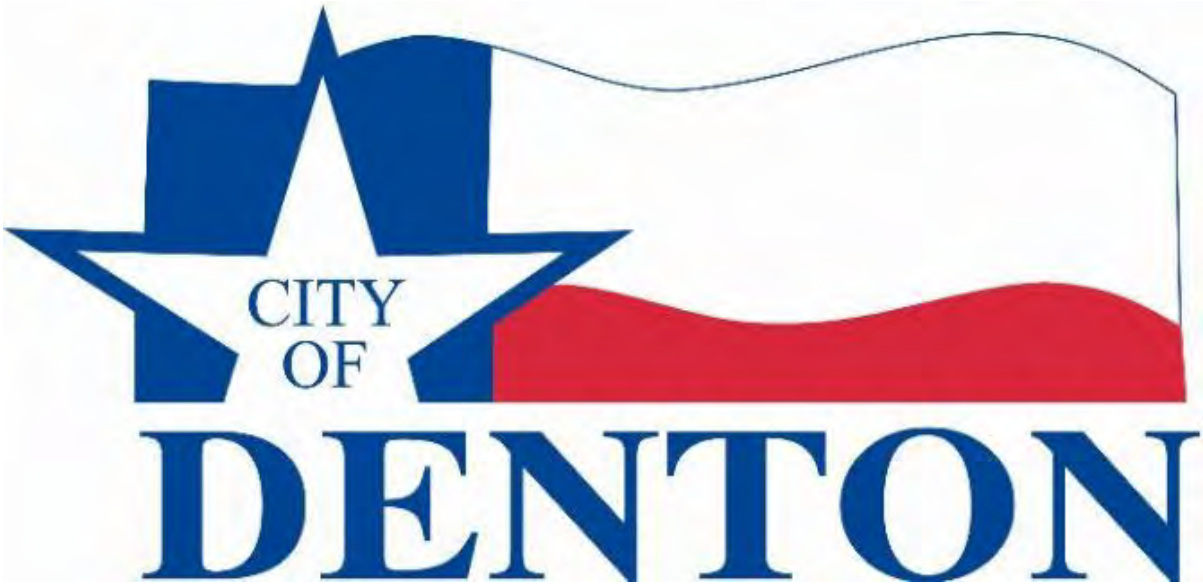
CITY OF DENTON, TEXAS **Table 7**
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

2018			2009		
Name of Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value[1]	Name of Taxpayer	Taxable Assessed Value	Percentage of Total Taxable Assessed Value[2]
Well Services Division of STC (Schlumberger)	$171,825,010	1.57%	Columbia Medical Center of Denton (Denton Regional Hospital)	$83,900,462	1.33%
PACCAR Inc. (Peterbilt)	93,771,677	0.86%	Inland Western Crossing	53,041,520	0.84%
Columbia Medical Center of Denton (Denton Regional Hospital)	86,844,895	0.79%	PACCAR Inc (Peterbilt)	52,109,610	0.83%
AC Denton, LLC	58,727,232	0.54%	Verizon Southwest	32,549,140	0.52%
Winco Foods, LLC	57,478,070	0.53%	GEL Timberlands	29,500,000	0.47%
Timber Links Apartments, LLC (The Timber Links)	44,553,646	0.41%	Aldi, LLC	25,554,780	0.41%
Inland Western Crossing (Denton Crossing Shopping Center)	43,621,838	0.40%	Denton Education Housing Corp	21,693,000	0.34%
NREA Gardens, DST	39,048,036	0.36%	SCI Gateway at Denton Fund 25, LLC	20,717,990	0.33%
HRA University Courtyard, LLC (University Courtyard Apartments)	38,253,000	0.35%	CNL Retirement CRSI	19,778,423	0.31%
Gateway Investors Owner, LLC	35,640,032	0.33%	Value Family Properties	19,776,368	0.31%
Total	$ 669,763,436	6.12%	Total	$ 358,621,293	5.69%

Source: Denton Central Appraisal District

[1]**Total taxable assessed value for tax year 2017 (fiscal year 2018) is $10,936,139,629.**

[2]**Total taxable assessed value for tax year 2008 (fiscal year 2009) is $6,291,359,112.**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CITY OF DENTON, TEXAS **Table 8**
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied Within the Fiscal Year of the Levy	Adjustments to Levy in Subsequent Years	Adjusted Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years
				Amount	Percentage of Levy	
2009	$ 43,086,123	$ 56,862	$ 43,142,985	$ 42,423,707	98.33%	$ 636,661
2010	42,898,414	56,142	42,954,556	42,448,364	98.82%	429,151
2011	43,890,121	(2,755)	43,887,366	43,447,508	99.00%	378,294
2012	44,856,277	21,898	44,878,175	44,461,501	99.07%	338,151
2013	46,965,495	37,848	47,003,343	46,638,975	99.22%	266,302
2014	48,398,900	56,664	48,455,564	48,083,910	99.23%	265,431
2015	53,829,793	(147,846)	53,681,947	53,503,029	99.67%	31,504
2016	58,634,172	(51,097)	58,583,075	58,280,013	99.48%	109,365
2017	64,030,255	(97,648)	63,932,607	63,702,954	99.64%	46,433
2018	66,830,333	-	66,830,333	66,493,774	99.50%	-

(continued on the following page)

Source: Denton Central Appraisal District

CITY OF DENTON, TEXAS **Table 8**
PROPERTY TAX LEVIES AND COLLECTIONS (concluded)
LAST TEN FISCAL YEARS

Fiscal Year	Total Collections to Date	
	Amount	Percentage of Levy
2009	$ 43,060,368	99.81%
2010	42,877,515	99.82%
2011	43,825,802	99.86%
2012	44,799,652	99.83%
2013	46,905,277	99.79%
2014	48,349,341	99.78%
2015	53,534,533	99.73%
2016	58,389,378	99.67%
2017	63,749,387	99.71%
2018	66,493,774	99.50%
		(concluded)

Source: Denton Central Appraisal District

CITY OF DENTON, TEXAS **Table 9**
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	Governmental Activities				Business-Type Activities		
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Premiums, Discounts	Other Obligations	Revenue Bonds	General Obligation Bonds	Certificates of Obligation
2009	$ 77,358,650	$ 48,611,150	$ 1,658,410	$ 2,769,671	$ 266,705,000	$ 4,366,350	$ 11,243,850
2010	77,314,650	45,727,950	1,798,093	1,771,952	209,885,000	39,600,350	126,207,050
2011	73,395,650	43,036,419	1,475,673	1,879,906	187,525,000	47,209,350	150,553,581
2012	80,013,439	33,910,342	3,272,887	1,891,895	156,855,000	59,301,561	181,314,658
2013	80,719,761	37,514,485	3,737,386	983,249	144,225,000	55,970,239	222,955,515
2014	78,316,161	41,570,000	3,593,057	1,102,864	112,170,000	79,188,839	290,640,000
2015	95,019,058	41,590,000	6,039,823	2,079,227	63,340,000	108,585,942	359,375,000
2016	109,861,174	34,565,000	9,250,779	1,373,230	-	141,063,826	416,465,000
2017	118,267,663	49,285,000	10,994,176	498,062	214,890,000	127,677,337	467,620,000
2018	127,647,935	81,200,000	12,515,724	4,171	214,890,000	111,347,065	447,050,000

(continued on the following page)

Source: Comprehensive Annual Financial Reports

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF DENTON, TEXAS **Table 9**
RATIO OF OUTSTANDING DEBT BY TYPE (concluded)
LAST TEN FISCAL YEARS

	Business-Type Activities				
Fiscal Year	Premiums, Discounts	Other Obligations	Total Primary Government	Percentage of Personal Income[1]	Per Capita[1]
2009	$ 5,586,295	$ 3,161,549	$ 421,460,925	0.01667%	3,791.48
2010	14,799,674	1,824,177	518,928,896	0.02103%	4,576.78
2011	13,078,316	1,279,130	519,433,025	0.01982%	4,535.86
2012	17,869,148	713,408	535,142,338	0.02150%	4,626.78
2013	18,645,703	363,487	565,114,825	0.02040%	4,813.71
2014	23,263,019	-	629,843,940	0.02145%	5,285.79
2015	27,564,104	-	703,593,154	0.02398%	5,817.46
2016	38,514,641	-	751,093,650	0.02545%	6,118.44
2017	69,029,540	-	1,058,261,778	0.03267%	8,466.91
2018	61,504,481	-	1,056,157,358	0.03176%	8,310.11
					(concluded)

Source: Comprehensive Annual Financial Reports

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1]See Table 13 for personal income and population data.

CITY OF DENTON, TEXAS **Table 10**
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

	General Bonded Debt Outstanding						
Fiscal Year	General Obligation Bonds	Certificates of Obligation	Premiums, Discounts	Less: Amounts Available in Debt Service Fund	Total	Percentage of Taxable Value of Property[1]	Per Capita[2]
2009	$ 81,725,000	$ 59,855,000	$ 1,779,105	$ 1,947,553	$ 141,411,552	2.25%	$ 1,272.14
2010	116,915,000	171,935,000	11,933,474	2,894,676	297,888,798	4.71%	2,627.28
2011	120,605,000	193,590,000	10,580,069	2,839,556	321,935,513	5.17%	2,811.25
2012	139,315,000	215,225,000	18,283,190	3,460,027	369,363,163	5.76%	3,193.47
2013	136,690,000	260,470,000	20,029,829	4,116,256	413,073,573	6.15%	3,518.60
2014	157,505,000	332,210,000	25,434,647	4,261,848	510,887,799	7.32%	4,287.48
2015	203,605,000	400,965,000	33,414,816	4,260,793	633,724,023	8.13%	5,239.77
2016	250,925,000	451,030,000	47,765,420	4,314,370	745,406,050	8.81%	6,072.11
2017	245,945,000	516,905,000	49,644,634	4,666,797	807,827,837	8.81%	6,463.24
2018	238,995,000	528,250,000	46,011,204	4,773,267	808,482,937	7.39%	6,361.35

Source: Comprehensive Annual Financial Reports **(continued on the following page)**

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1]**See Table 5 for property value data.**

[2]**See Table 13 for population data.**

[3]**In 2010, the City began issuing Certificates of Obligation not only for general government purposes which are repaid by property taxes, but also for utility related projects of the City. The Certificates of Obligation issued for utility purposes are repaid from the specific utility fund as revenue supported for which the debt was issued.**

CITY OF DENTON, TEXAS **Table 10**
RATIO OF GENERAL BONDED DEBT OUTSTANDING (concluded)
LAST TEN FISCAL YEARS

	Tax Supported General Bonded Debt Outstanding			
Fiscal Year	Less: Revenue Supported Debt[3]	Net Tax Supported Debt	Percentage of Actual Taxable Value of Property	Per Capita[2]
2009	$ 15,730,895	$ 125,680,657	2.00%	$ 1,130.63
2010	175,942,781	121,946,017	1.93%	1,075.52
2011	206,867,327	115,068,186	1.85%	1,004.81
2012	255,626,522	113,736,641	1.77%	983.35
2013	295,218,197	117,855,376	1.75%	1,003.90
2014	391,670,429	119,217,370	1.71%	1,000.50
2015	495,335,935	138,388,088	1.77%	1,144.22
2016	596,043,467	149,362,583	1.76%	1,216.71
2017	633,947,795	173,880,042	1.90%	1,391.17
2018	619,901,546	188,581,391	1.72%	1,483.81
				(concluded)

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

[1]**See Table 5 for property value data.**

[2]**See Table 13 for population data.**

[3]**In 2010, the City began issuing Certificates of Obligation not only for general government purposes which are repaid by property taxes, but also for utility related projects of the City. The Certificates of Obligation issued for utility purposes are repaid from the specific utility fund as revenue supported for which the debt was issued.**

CITY OF DENTON, TEXAS **Table 11**
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF SEPTEMBER 30, 2018

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable[1]	Estimated Share of Overlapping Debt
Debt repaid with property taxes:			
Denton Independent School District	$ 1,167,039,104	61.66%	$ 719,596,312
Denton County	612,630,000	12.25%	75,047,175
Argyle Independent School District	125,869,680	9.75%	12,272,294
Aubrey Independent School District	86,720,663	0.14%	121,409
Krum Independent School District	38,854,703	8.38%	3,256,024
Lake Dallas Independent School District	77,342,787	1.54%	1,191,079
Pilot Point Independent School District	15,985,000	1.92%	306,912
Ponder Independent School District	18,005,000	0.93%	167,447
Sanger Independent School District	20,382,159	0.46%	93,758
Subtotal, overlapping debt			812,052,410
City of Denton, direct debt		100.00%	221,367,830
Total direct and overlappping debt			$ 1,033,420,240
Ratio of direct and overlapping funded debt to the City's taxable assessed valuation			9.45%
Per capita overlapping funded debt			$ 8,131

Source: Municipal Advisory Council of Texas website

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Denton. This process recognizes that, when considering the City of Denton's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

[1]The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Denton's boundaries and dividing it by the overlapping government's total taxable assessed value.

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CITY OF DENTON, TEXAS **Table 12**
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

	Utility System[1] Revenue Bonds					
Fiscal Year	Operating Revenue	Investment Revenue	Less: Fair Market Value Adjustment to Investment Revenue[2]	Impact Fee Revenue	Less: Operating Expenses Before Depreciation	Add: Franchise Fees and Return on Investment Paid to General Fund[3]
2009	$ 176,464,357	$ 5,817,918	$ 930,936	$ 4,456,827	$ 147,392,056	$ 11,325,647
2010	166,295,694	1,593,161	(550,830)	3,186,225	137,201,402	12,828,293
2011	186,359,226	1,340,539	(66,712)	5,205,889	136,774,866	14,304,393
2012	189,645,277	1,477,452	110,626	3,542,829	139,801,421	14,414,769
2013	197,126,041	983,424	(227,534)	3,704,336	164,688,198	14,582,800
2014	208,666,178	1,225,879	46,226	5,191,886	175,620,125	15,278,150
2015	229,583,483	1,512,820	156,230	6,476,021	175,131,645	16,356,904
2016	229,086,008	1,772,813	(132,432)	7,286,409	163,392,323	17,027,566
2017	239,310,663	3,150,469	(737,238)	7,409,026	182,455,762	18,215,432
2018	271,387,844	3,599,667	(707,351)	11,867,205	177,438,191	20,089,862

(continued on the following page)

Source: Comprehensive Annual Financial Reports

[1]**The Utility System includes the Electric, Water, and Wastewater funds.**

[2]**For the coverage calculation, the fair market adjustment to the value of investments is excluded.**

[3]**For the coverage calculation, franchise fees and return on investment payments to the General Fund are excluded from operating expenses.**

[4]**Revenue bond covenants required a times coverage of 1.25 or greater through fiscal year 2016. Starting in fiscal year 2017, revenue bond convenants require a times coverage of 1.00 or greater.**

[5]**Total times coverage provided to assess total bond debt related to the Utility System.**

CITY OF DENTON, TEXAS **Table 12**
PLEDGED REVENUE COVERAGE (concluded)
LAST TEN FISCAL YEARS

	Utility System[1] Revenue Bonds							
		Revenue Bond Debt			Certificate of Obligation & General Obligation Bond Debt			
Fiscal Year	Net Available Revenue	Principal	Interest	Times Coverage[4]	Principal	Interest	Times Coverage	Total Times Coverage[5]
2009	$ 49,741,757	$ 15,935,000	$ 12,267,799	1.76	-	-	N/A	1.76
2010	47,252,801	13,180,000	9,208,682	2.11	-	-	N/A	2.11
2011	70,501,893	8,460,000	7,982,284	4.29	4,610,000	7,315,189	5.91	2.49
2012	69,168,280	12,630,000	7,028,800	3.52	11,880,000	7,477,233	3.57	1.77
2013	51,935,937	13,260,000	6,437,088	2.64	9,940,000	9,115,348	2.73	1.34
2014	54,695,742	11,570,000	4,902,319	3.32	11,860,000	10,306,245	2.47	1.42
2015	78,641,353	10,210,000	2,551,456	6.16	15,535,000	14,115,713	2.65	1.85
2016	91,912,905	10,210,000	2,551,456	7.20	18,800,000	18,258,583	2.48	1.84
2017	86,367,066	-	3,680,389	23.47	25,495,000	21,419,293	1.84	1.71
2018	130,213,738	-	10,685,000	12.19	31,035,000	22,962,237	2.41	2.01

(concluded)

Source: Comprehensive Annual Financial Reports

[1]**The Utility System includes the Electric, Water, and Wastewater funds.**

[2]**For the coverage calculation, the fair market adjustment to the value of investments is excluded.**

[3]**For the coverage calculation, franchise fees and return on investment payments to the General Fund are excluded from operating expenses.**

[4]**Revenue bond covenants required a times coverage of 1.25 or greater through fiscal year 2016. Starting in fiscal year 2017, revenue bond convenants require a times coverage of 1.00 or greater.**

[5]**Total times coverage provided to assess total bond debt related to the Utility System.**

CITY OF DENTON, TEXAS **Table 13**
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Estimated Population[1]	Personal Income	Per Capita Income[2]	Median Age[2]	Grade School Enrollment[3]	University Enrollment[4]	Unemployment Rate[5]
2009	111,160	2,527,667,240	22,739	28.8	22,761	45,658	6.2%
2010	113,383	2,467,894,378	21,766	28.9	24,047	47,236	6.6%
2011	114,517	2,621,408,647	22,891	28.9	24,901	47,720	6.3%
2012	115,662	2,489,161,902	21,521	27.0	25,791	48,227	5.5%
2013	117,397	2,769,630,024	23,592	26.9	26,339	48,584	5.2%
2014	119,158	2,936,410,594	24,643	27.5	27,105	48,497	4.2%
2015	120,945	2,934,125,700	24,260	27.9	27,473	49,665	3.4%
2016	122,759	2,950,758,083	24,037	28.4	28,658	50,809	3.5%
2017	124,988	3,239,064,020	25,915	28.5	29,433	50,911	3.1%
2018	127,093	3,325,388,345	26,165	29.1	30,219	51,100	3.1%

Sources:

[1]**City of Denton Planning and Development Department estimate. Prior population figures have been adjusted to reflect the 2010 census data.**

[2]**United States Census and Denton Chamber of Commerce**

[3]**Denton Independent School District**

[4]**University of North Texas' and Texas Woman's University's Denton campus enrollment**

[5]**Texas Workforce Commission estimate**

CITY OF DENTON, TEXAS **Table 14**
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

2018			2009		
Name of Employer	Employees	Percentage of Total City Employment	Name of Employer	Employees	Percentage of Total City Employment
University of North Texas	5,416	7.37%	University of North Texas	7,949	12.47%
Denton Independent School District	4,417	6.01%	Denton Independent School District	2,600	4.08%
Peterbilt Motors-Headquarters & Plant	2,314	3.15%	Peterbilt Motors-Headquarters & Plant	1,450	2.27%
Denton State Supported Living Center	1,778	2.42%	Denton County (in Denton)	1,441	2.26%
Denton County (in Denton)	1,681	2.29%	Denton State School	1,535	2.41%
Texas Woman's University	1,672	2.28%	City of Denton	1,319	2.07%
City of Denton	1,667	2.27%	Texas Woman's University	1,303	2.04%
Federal Emergency Management Agency	1,100	1.50%	Denton Regional Medical Center	850	1.33%
Texas Presbyterian Hospital	1,076	1.46%	Presbyterian Hospital of Denton	800	1.25%
Medical City Denton	950	1.29%	Victor Equipment	600	0.94%
Total	22,071	30.04%	Total	19,847	31.12%

Source: Office of Economic Development & Denton Chamber of Commerce

CITY OF DENTON, TEXAS **Table 15**
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Full-time Equivalent Employees for Fiscal Year				
Function / Program	**2009**	**2010**	**2011**	**2012**	**2013**
General government	191.63	194.63	195.00	204.25	210.25
Public safety					
Police	217.23	217.23	222.23	217.23	219.23
Fire	163.25	163.25	163.25	163.25	167.75
Animal services	8.00	8.00	8.00	9.00	11.00
Municipal Court/Judge	16.75	17.50	18.50	19.50	19.50
Public works	39.00	39.00	39.00	41.00	44.00
Parks and recreation	144.15	143.08	142.58	141.08	143.35
Electric system	125.00	129.50	129.50	131.50	143.00
Water system	160.50	158.00	158.50	158.00	154.00
Wastewater system	84.87	86.37	88.37	92.37	97.25
Solid waste	93.50	93.50	98.50	105.50	115.00
Airport	-	-	5.00	5.50	6.50
Materials management	13.50	13.50	13.50	12.00	13.00
Fleet services	21.00	21.00	21.00	22.00	22.00
Technology services	25.00	25.00	26.00	27.00	29.00
Engineering	-	-	-	-	-
Risk Retention	5.00	5.00	5.00	6.00	6.00
Total	1,308.38	1,314.56	1,333.93	1,355.18	1,400.83

(continued on the following page)

Source: City of Denton Budget Office

CITY OF DENTON, TEXAS **Table 15**
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM (concluded)
LAST TEN FISCAL YEARS

	Full-time Equivalent Employees for Fiscal Year				
Function / Program	**2014**	**2015**	**2016**	**2017**	**2018**
General government	210.25	218.75	229.75	224.75	224.25
Public safety					
Police	225.23	228.23	230.23	249.73	253.73
Fire	167.75	168.25	177.25	184.25	191.25
Animal services	11.00	13.00	13.00	14.00	14.00
Municipal Court/Judge	19.50	19.00	19.00	18.00	17.00
Public works	46.00	49.50	54.50	61.00	60.00
Parks and recreation	145.81	145.81	148.48	157.73	157.73
Electric system	164.00	174.00	188.00	191.00	199.00
Water system	133.50	140.50	144.50	151.50	149.00
Wastewater system	100.75	108.75	111.25	111.25	110.00
Solid waste	117.00	120.00	124.50	132.50	132.50
Airport	6.50	7.50	7.50	6.50	6.00
Materials management	15.00	15.00	16.00	17.00	18.00
Fleet services	22.00	22.00	24.00	24.00	23.00
Technology services	31.00	36.00	36.00	43.00	44.00
Engineering	31.00	34.00	34.00	35.00	36.00
Risk Retention	6.00	8.00	8.00	9.00	9.00
Total	1,452.29	1,508.29	1,565.96	1,630.21	1,644.46

(concluded)

Source: City of Denton Budget Office

CITY OF DENTON, TEXAS **Table 16**
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year				
Function / Program	**2009**	**2010**	**2011**	**2012**	**2013**
Public Safety					
Police					
Calls for service	**83,557**	**83,746**	**84,899**	**81,104**	**81,084**
Traffic citations issued	**36,598**	**33,990**	**29,162**	**28,327**	**30,166**
Fire					
Fire calls for service	**3,391**	**3,199**	**3,423**	**3,316**	**3,845**
EMS calls for service	**7,017**	**7,255**	**7,458**	**7,657**	**7,717**
Inspections (Businesses)	**3,622**	**4,739**	**4,370**	**4,310**	**4,366**
Animal Services					
Animals sheltered	**4,341**	**5,042**	**4,936**	**5,467**	**5,420**
Animals adopted, transferred, or returned	**2,193**	**3,264**	**3,730**	**4,332**	**4,209**
Public Works					
Street repaving (lane miles)	**17.43**	**10.27**	**8.33**	**15.43**	**10.26**
Pot holes repaired	**11,593**	**20,988**	**10,535**	**10,807**	**7,227**
Cutouts base failures (square feet)	**126,691**	**169,396**	**146,925**	**102,879**	**114,448**
Crack seal maintenance (linear feet)	**55,894**	**53,712**	**116,556**	**117,780**	**155,838**
Parks and Recreation					
Attendance					
Leisure Services	**1,031,530**	**1,153,632**	**1,093,705**	**969,858**	**909,395**
Water Park	**179,386**	**193,361**	**200,553**	**212,123**	**215,605**
Total Acres Maintained	**2,633**	**2,633**	**2,570**	**2,405**	**2,272**
Water					
Number of customers	**30,288**	**30,889**	**31,222**	**31,372**	**31,837**
Annual finished water production (in thousand gallons)	**6,210,472**	**6,209,966**	**7,331,902**	**6,750,840**	**6,827,186**
Wastewater					
Number of customers	**28,647**	**29,105**	**29,519**	**29,772**	**30,103**
Annual wastewater discharge (in thousand gallons)	**4,733,839**	**5,617,490**	**4,852,097**	**4,966,250**	**4,943,270**
Solid Waste					
Number of customers (residential and commercial)	**31,173**	**32,044**	**32,621**	**33,049**	**34,003**
MSW Landfilled (tons)	**160,378**	**140,284**	**149,930**	**164,436**	**176,076**
Recycling collections (tons)	**44,540**	**50,246**	**73,912**	**86,887**	**96,055**

(continued on the following page)

Source: Various city departments

CITY OF DENTON, TEXAS **Table 16**
OPERATING INDICATORS BY FUNCTION/PROGRAM (concluded)
LAST TEN FISCAL YEARS

	Fiscal Year					
Function / Program	**2014**	**2015**	**2016**	**2017**	**2018**	
Public Safety						
Police						
Calls for service	**83,704**	**84,434**	**86,399**	**87,122**	**81,672**	
Traffic citations issued	**27,160**	**22,022**	**20,207**	**22,323**	**20,251**	
Fire						
Fire calls for service	**4,183**	**3,933**	**4,511**	**4,651**	**4,978**	
EMS calls for service	**7,977**	**8,079**	**8,943**	**9,687**	**9,876**	
Inspections (Businesses)	**4,830**	**4,066**	**4,361**	**3,988**	**4,142**	
Animal Services						
Animals sheltered	**5,072**	**4,876**	**5,032**	**4,944**	**4,924**	
Animals adopted, transferred, or returned	**3,895**	**3,870**	**4,468**	**4,203**	**4,236**	
Public Works						
Street repaving (lane miles)	**25.59**	**18.21**	**25.69**	**28.36**	**32.01**	
Pot holes repaired	**8,996**	**11,872**	**15,254**	**16,972**	**6,228**	[1]
Cutouts base failures (square feet)	**72,098**	**99,085**	**152,002**	**95,601**	**328,022**	[2]
Crack seal maintenance (linear feet)	**77,451**	**59,115**	**37,828**	**119,611**	**438,240**	[3]
Parks and Recreation						
Attendance						
Leisure Services	**1,060,988**	**967,132**	**1,007,102**	**1,082,246**	**1,166,987**	
Water Park	**209,406**	**218,232**	**224,893**	**232,527**	**210,171**	
Total Acres Maintained	**2,425**	**2,469**	**2,511**	**2,206**	**2,245**	
Water						
Number of customers	**32,405**	**33,465**	**34,198**	**34,714**	**35,945**	
Annual finished water production (in thousand gallons)	**6,155,724**	**6,355,608**	**6,301,333**	**6,368,582**	**7,141,131**	
Wastewater						
Number of customers	**30,562**	**31,243**	**32,077**	**32,618**	**33,987**	
Annual wastewater discharge (in thousand gallons)	**4,926,080**	**5,834,100**	**6,111,680**	**5,175,571**	**4,548,900**	
Solid Waste						
Number of customers (residential and commercial)	**36,593**	**37,540**	**39,806**	**41,219**	**42,499**	
MSW Landfilled (tons)	**203,928**	**227,859**	**251,305**	**268,000**	**276,537**	
Recycling collections (tons)	**87,655**	**81,558**	**113,743**	**117,155**	**105,493**	

(concluded)

Source: Various city departments

[1] Pot hole repairs decreased in 2018 as a result of the City's continued street improvement program.

[2] The repairs are part of the increased spending and exapnsion of the street improvement program.

[3] The crack and micro seal preventative maintenance work was facilitated by favorable weather.

CITY OF DENTON, TEXAS **Table 17**
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year				
Function / Program	**2009**	**2010**	**2011**	**2012**	**2013**
Public safety					
Police					
Police stations	**1**	**1**	**1**	**1**	**1**
Police patrol units	**149**	**149**	**143**	**139**	**137**
Fire					
Fire stations	**7**	**7**	**7**	**7**	**7**
Emergency vehicles	**26**	**30**	**30**	**30**	**31**
Animal services					
Animals shelters	**1**	**1**	**1**	**1**	**1**
Public works					
Lane miles added per year	**14.79**	**41.77**	**1.56**	**2.45**	**12.00**
Streetlights	**7,015**	**7,016**	**6,996**	**6,987**	**7,020**
Parks and recreation					
Parks	**34**	**34**	**34**	**34**	**34**
Parks and open spaces acreage	**1,438**	**1,341**	**1,332**	**1,431**	**1,461**
Recreation centers	**12**	**12**	**12**	**12**	**12**
Water					
Water mains (miles)	**550**	**558**	**560**	**565**	**572**
Raw water (in thousand gallons)	**6,471,258**	**6,416,086**	**7,572,149**	**7,013,351**	**6,776,717**
Wastewater					
Wastewater mains (miles)	**488**	**495**	**496**	**501**	**509**
Maximum daily capacity (in million gallons)	**25**	**25**	**25**	**25**	**25**
Solid waste					
Landfills	**1**	**1**	**1**	**1**	**1**

(continued on the following page)

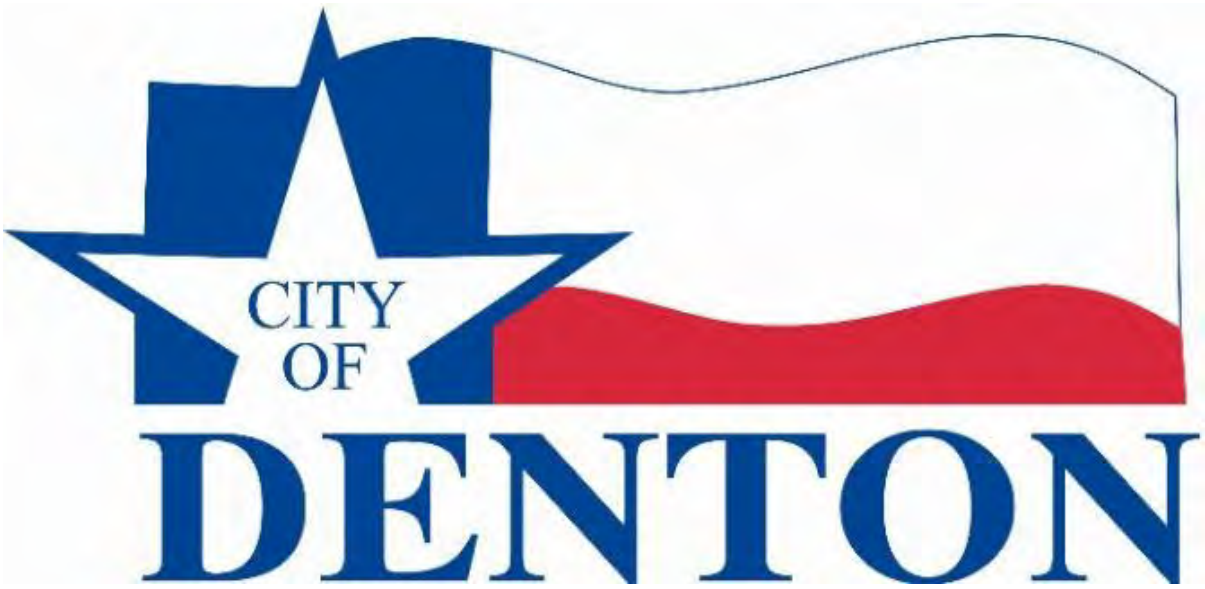
Source: Various city departments

CITY OF DENTON, TEXAS **Table 17**
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM (concluded)
LAST TEN FISCAL YEARS

	Fiscal Year				
Function / Program	**2014**	**2015**	**2016**	**2017**	**2018**
Public safety					
Police					
Police stations	**1**	**1**	**1**	**1**	**1**
Police patrol units	**138**	**137**	**141**	**147**	**155**
Fire					
Fire stations	**7**	**7**	**7**	**7**	**7**
Emergency vehicles	**31**	**32**	**36**	**36**	**37**
Animal services					
Animals shelters	**1**	**1**	**1**	**1**	**1**
Public works					
Lane miles added per year	**12.20**	**5.83**	**8.11**	**22.45**	**22.64**
Streetlights	**7,067**	**7,164**	**7,233**	**7,414**	**7,771**
Parks and recreation					
Parks	**34**	**34**	**34**	**34**	**34**
Parks and open spaces acreage	**1,783**	**1,783**	**2,284**	**2,284**	**2,245**
Recreation centers	**12**	**12**	**12**	**12**	**12**
Water					
Water mains (miles)	**592**	**604**	**618**	**626**	**631**
Raw water (in thousand gallons)	**6,195,624**	**6,493,457**	**6,182,450**	**6,232,032**	**6,946,073**
Wastewater					
Wastewater mains (miles)	**513**	**516**	**521**	**526**	**533**
Maximum daily capacity (in million gallons)	**25**	**25**	**25**	**25**	**25**
Solid waste					
Landfills	**1**	**1**	**1**	**1**	**1**

(concluded)

Source: Various city departments


CITY
OF
DENTON

CITY OF DENTON, TEXAS **Exhibit XXXIV**
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	$ 2,153,124	$ 2,153,124	$ 2,248,085	$ (94,961)
Materials and Supplies	189,900	189,900	162,545	27,355
Maintenance and Repairs	25,100	25,100	22,682	2,418
Insurance	18,623	18,623	18,623	-
Miscellaneous	96,775	96,775	139,468	(42,693)
Operations, Services	196,656	196,656	254,268	(57,612)
Transfers - Interfund	149,125	149,125	149,125	-
City Manager's Office	2,829,303	2,829,303	2,994,796	(165,493)
Personal Service	282,061	282,061	278,470	3,591
Materials and Supplies	1,000	1,000	1,136	(136)
Maintenance and Repairs	1,350	1,350	920	430
Insurance	3,471	3,471	3,471	-
Miscellaneous	1,000	1,000	551	449
Operations, Services	13,448	13,448	10,055	3,393
Transfers - Interfund	20,941	20,941	20,916	25
Cable Television	323,271	323,271	315,519	7,752
Personal Service	254,302	254,302	176,166	78,136
Materials and Supplies	4,000	4,000	363	3,637
Insurance	829	829	829	-
Operations, Services	4,250	4,250	192,747	(188,497)
Internal Audit	263,381	263,381	370,105	(106,724)
Personal Service	321,435	321,435	291,599	29,836
Materials and Supplies	27,160	27,160	7,325	19,835
Insurance	3,109	3,109	3,109	-
Operations, Services	122,401	122,401	87,997	34,404
Transfers - Interfund	20,916	20,916	20,916	-
Public Communications	495,021	495,021	410,946	84,075
Personal Service	1,169,860	1,169,860	1,175,866	(6,006)
Materials and Supplies	31,150	31,150	20,256	10,894
Maintenance and Repairs	500	500	305	195
Insurance	16,010	16,010	16,010	-
Miscellaneous	60,873	60,873	42,771	18,102
Operations, Services	384,762	339,762	362,647	(22,885)
Transfers - Interfund	92,710	137,710	137,710	-
Human Resources	1,755,865	1,755,865	1,755,565	300
Personal Service	2,095,562	2,095,562	1,718,339	377,223
Materials and Supplies	59,083	59,083	47,866	11,217
Insurance	13,014	13,014	13,014	-
Operations, Services	204,435	204,435	139,938	64,497
Transfers - Interfund	81,678	81,678	81,678	-
Legal Administration	$ 2,453,772	$ 2,453,772	$ 2,000,835	$ 452,937

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXXIV**
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	$ 379,106	$ 352,449	$ 346,808	$ 5,641
Materials and Supplies	4,943	1,600	4,584	(2,984)
Maintenance and Repairs	-	-	108	(108)
Insurance	4,129	4,129	4,129	-
Operations, Services	7,083	7,083	6,696	387
Transfers - Interfund	40,863	70,863	40,863	30,000
Municipal Judge	436,124	436,124	403,188	32,936
Personal Service	2,238,282	2,208,282	1,654,643	553,639
Materials and Supplies	54,553	63,709	71,020	(7,311)
Maintenance and Repairs	-	-	60	(60)
Insurance	22,613	22,613	22,613	-
Miscellaneous	43,181	43,181	28,563	14,618
Operations, Services	733,168	668,590	791,508	(122,918)
Transfers - Interfund	319,134	409,134	409,109	25
Planning	3,410,931	3,415,509	2,977,516	437,993
Personal Service	2,504,218	2,504,218	2,239,330	264,888
Materials and Supplies	54,300	54,300	49,720	4,580
Maintenance and Repairs	8,434	8,434	53	8,381
Insurance	36,866	36,866	36,866	-
Operations, Services	122,480	117,902	121,063	(3,161)
Transfers - Interfund	349,595	349,595	349,195	400
Building Inspections	3,075,893	3,071,315	2,796,227	275,088
Personal Service	206,570	206,570	165,609	40,961
Materials and Supplies	202,800	202,800	135,832	66,968
Maintenance and Repairs	3,000	3,000	4,472	(1,472)
Insurance	1,824	1,824	1,824	-
Operations, Services	3,635	3,635	51,427	(47,792)
Transfers - Interfund	15,817	15,817	15,817	-
Reprographics	433,646	433,646	374,981	58,665
Personal Service	338,174	338,174	118,712	219,462
Materials and Supplies	4,850	4,850	927	3,923
Maintenance and Repairs	50	50	-	50
Insurance	3,632	3,632	3,632	-
Miscellaneous	250	250	-	250
Operations, Services	12,708	12,708	250,621	(237,913)
Transfers - Interfund	33,362	33,362	33,337	25
Gas Well Review	393,026	393,026	407,229	(14,203)
Personal Service	860,530	860,530	856,347	4,183
Materials and Supplies	49,100	49,100	33,999	15,101
Maintenance and Repairs	-	-	438	(438)
Insurance	50,082	50,082	50,082	-
Miscellaneous	200	200	214	(14)
Operations, Services	486,340	486,340	402,764	83,576
Transfers - Interfund	118,042	118,042	117,742	300
Community Improvement	$ 1,564,294	$ 1,564,294	$ 1,461,586	$ 102,708

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXXIV**
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	$ 1,140,474	$ 1,140,474	$ 1,019,061	$ 121,413
Materials and Supplies	45,700	45,700	41,858	3,842
Insurance	15,898	15,898	15,898	-
Miscellaneous	5,000	-	-	-
Operations, Services	61,100	64,008	41,283	22,725
Transfers - Interfund	111,530	115,030	115,030	-
Fixed Assets	2,000	592	-	592
Municipal Court	1,381,702	1,381,702	1,233,130	148,572
Personal Service	2,592,128	2,592,128	2,592,252	(124)
Materials and Supplies	84,503	83,346	55,305	28,041
Maintenance and Repairs	675	675	675	-
Insurance	22,287	22,287	22,287	-
Miscellaneous	1,415	1,415	690	725
Operations, Services	129,256	105,742	62,985	42,757
Transfers - Interfund	245,956	268,827	257,367	11,460
Finance	3,076,220	3,074,420	2,991,561	82,859
Personal Service	649,372	649,372	647,760	1,612
Materials and Supplies	56,643	46,643	35,410	11,233
Maintenance and Repairs	10,600	5,600	1,984	3,616
Insurance	6,288	6,288	6,288	-
Miscellaneous	91,397	91,397	96,061	(4,664)
Operations, Services	3,589,208	3,604,208	2,663,765	940,443
Transfers - Interfund	54,563	54,563	42,563	12,000
Economic Development	4,458,071	4,458,071	3,493,831	964,240
Personal Service	8,086,554	8,086,054	7,508,825	577,229
Materials and Supplies	874,227	874,223	721,018	153,205
Maintenance and Repairs	626,882	616,097	559,105	56,992
Insurance	172,650	172,650	172,650	-
Miscellaneous	-	-	685	(685)
Operations, Services	2,652,904	2,622,849	2,748,394	(125,545)
Transfers - Interfund	983,438	1,599,782	1,597,382	2,400
Fixed Assets	-	-	45,543	(45,543)
Parks & Recreation	13,396,655	13,971,655	13,353,602	618,053
Personal Service	1,730,838	1,730,838	1,551,073	179,765
Materials and Supplies	43,841	43,841	45,912	(2,071)
Maintenance and Repairs	1,164,835	1,018,925	936,182	82,743
Insurance	21,978	21,978	21,978	-
Miscellaneous	1,227	1,227	693	534
Operations, Services	1,196,890	1,196,890	1,237,731	(40,841)
Transfers - Interfund	165,033	310,943	310,618	325
Fixed Assets	-	-	7,438	(7,438)
Facilities Management	4,324,642	4,324,642	4,111,625	213,017
Personal Service	3,823,774	3,797,774	3,533,325	264,449
Materials and Supplies	152,288	159,992	153,248	6,744
Maintenance and Repairs	67,588	71,313	69,588	1,725
Insurance	73,113	73,113	73,113	-
Operations, Services	460,437	464,223	415,453	48,770
Transfers - Interfund	1,011,912	1,011,912	1,011,862	50
Fixed Assets	475,000	485,785	485,765	20
Library	$ 6,064,112	$ 6,064,112	$ 5,742,354	$ 321,758

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXXIV**
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

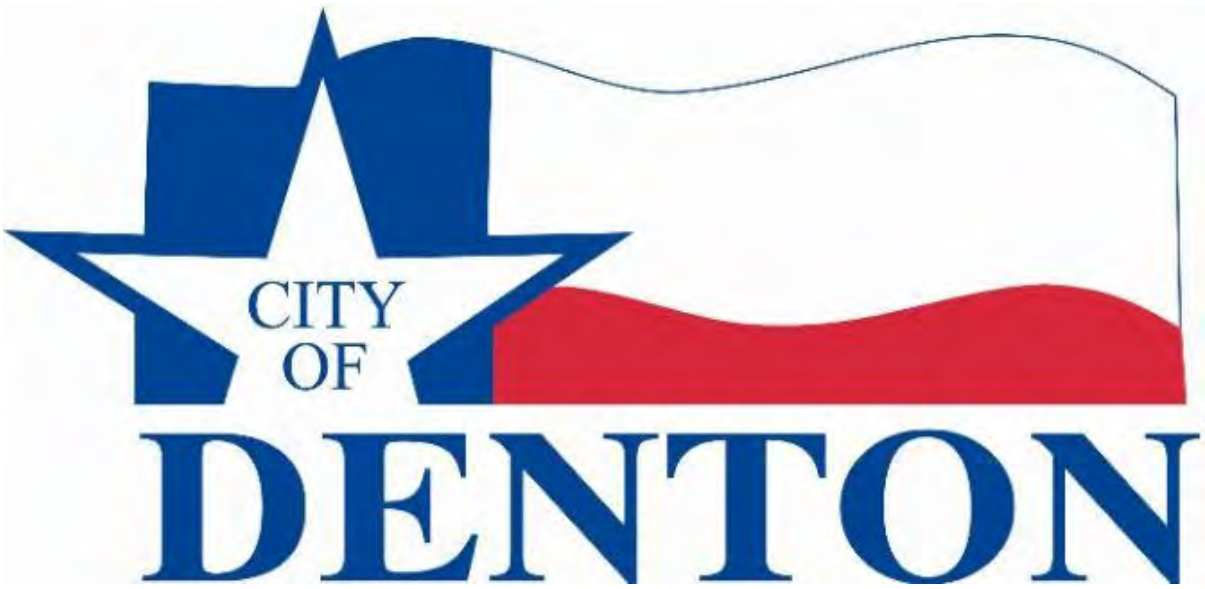
	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	$ 384,246	$ 384,246	$ 252,965	$ 131,281
Materials and Supplies	13,900	13,900	4,264	9,636
Maintenance and Repairs	50,300	300	-	300
Insurance	1,958	1,958	1,958	-
Miscellaneous	4,900	4,900	1,624	3,276
Operations, Services	180,297	180,297	154,522	25,775
Transfers - Interfund	211,057	211,057	211,057	-
Transportation Operations	846,658	796,658	626,390	170,268
Personal Service	943,060	943,060	878,969	64,091
Materials and Supplies	15,308	15,308	16,525	(1,217)
Maintenance and Repairs	645,200	695,200	692,369	2,831
Insurance	14,179	14,179	14,179	-
Miscellaneous	2,200	2,200	2,085	115
Operations, Services	152,888	152,888	152,006	882
Transfers - Interfund	99,193	2,219,193	2,218,918	275
Traffic Operations	1,872,028	4,042,028	3,975,051	66,977
Operations, Services	755,000	755,000	801,318	(46,318)
Street Lighting	755,000	755,000	801,318	(46,318)
Personal Service	27,938,489	27,909,919	27,092,461	817,458
Materials and Supplies	424,895	424,895	437,963	(13,068)
Maintenance and Repairs	214,000	214,000	210,778	3,222
Insurance	447,847	447,847	447,847	-
Miscellaneous	147,897	147,897	145,564	2,333
Operations, Services	981,097	981,097	1,033,654	(52,557)
Transfers - Interfund	2,143,581	2,172,151	2,215,506	(43,355)
Police	32,297,806	32,297,806	31,583,773	714,033
Personal Service	931,170	931,170	940,616	(9,446)
Materials and Supplies	56,134	56,134	44,934	11,200
Maintenance and Repairs	21,500	21,500	12,788	8,712
Insurance	20,648	20,648	20,648	-
Operations, Services	439,448	439,448	421,884	17,564
Transfers - Interfund	90,305	90,305	90,180	125
Animal Services	1,559,205	1,559,205	1,531,050	28,155
Personal Service	24,783,675	24,783,675	25,419,513	(635,838)
Materials and Supplies	632,533	566,733	543,807	22,926
Maintenance and Repairs	262,140	239,640	207,885	31,755
Insurance	237,332	237,332	237,332	-
Miscellaneous	135,085	127,085	75,559	51,526
Operations, Services	1,298,265	1,287,765	1,480,049	(192,284)
Transfers - Interfund	1,282,550	1,430,450	1,449,900	(19,450)
Fixed Assets	80,000	38,900	58,975	(20,075)
Fire	$ 28,711,580	$ 28,711,580	$ 29,473,020	$ (761,440)

(continued on the following page)

CITY OF DENTON, TEXAS **Exhibit XXXIV**
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL (concluded)
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Budgeted Amounts		Actual on a Budgetary Basis	Variance with Final Budget - Positive (Negative)
	Original	Final		
EXPENDITURES:				
Personal Service	$ 281,699	$ 281,699	$ 289,243	$ (7,544)
Materials and Supplies	1,750	1,750	1,370	380
Insurance	3,312	3,312	3,312	-
Miscellaneous	307,355	307,355	309,620	(2,265)
Operations, Services	3,818	3,818	3,988	(170)
Transfers - Interfund	31,804	31,804	31,779	25
Agency Contributions	629,738	629,738	639,312	(9,574)
Personal Service	(1,475,857)	(1,591,332)	73,559	(1,664,891)
Materials and Supplies	80,000	41,800	46,498	(4,698)
Maintenance and Repairs	-	-	134	(134)
Miscellaneous	257,100	297,100	256,174	40,926
Operations, Services	1,756,204	1,727,920	1,569,796	158,124
Transfers - Interfund	2,262,600	5,396,557	5,373,641	22,916
Fixed Assets	-	28,284	26,210	2,074
Miscellaneous/Finance	2,880,047	5,900,329	7,346,012	(1,445,683)
Personal Service	84,612,846	84,385,644	83,069,596	1,316,048
Materials and Supplies	3,164,561	3,062,917	2,683,685	379,232
Maintenance and Repairs	3,102,154	2,921,684	2,720,526	201,158
Insurance	1,211,692	1,211,692	1,211,692	-
Miscellaneous	1,155,855	1,182,855	1,100,322	82,533
Operations, Services	15,948,178	15,763,363	15,458,559	304,804
Transfers - Interfund	9,935,705	16,319,757	16,302,211	17,546
Fixed Assets	557,000	553,561	623,931	(70,370)
TOTAL GENERAL FUND	$ 119,687,991	$ 125,401,473	$ 123,170,522	$ 2,230,951

(concluded)


CITY
OF
DENTON

CITY OF DENTON, TEXAS

SINGLE AUDIT REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2018

CITY OF DENTON, TEXAS

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SEPTEMBER 30, 2018

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PB&H

PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the City Council
City of Denton, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Denton, Texas as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Denton, Texas' basic financial statements, and have issued our report thereon dated February 28, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Denton, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Denton, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Denton, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

OFFICE LOCATIONS
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NEW MEXICO | Albuquerque

AICPA
GAQC Member

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Denton, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 28, 2019

PB&H

PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

To the Honorable Mayor and
Members of the City Council
City of Denton, Texas

Report on Compliance for Each Major Federal and State Program

We have audited the City of Denton, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas *Uniform Grants Management Standards* that could have a direct and material effect on each of the City of Denton, Texas' major federal and state programs for the year ended September 30, 2018. The City of Denton, Texas' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Denton, Texas' major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State of Texas Single Audit Circular. Those standards, the Uniform Guidance and the State of Texas Single Audit Circular require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on each major federal or state program occurred. An audit includes examining, on a test basis, evidence about City of Denton, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of City of Denton, Texas' compliance.

Opinion on Each Major Federal and State Program

In our opinion, the City of Denton, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2018.

Report on Internal Control over Compliance

Management of the City of Denton, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Denton, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Denton, Texas' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State of Texas *Uniform Grant Management Standards*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Denton, Texas as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Denton, Texas' basic financial statements. We issued our report thereon dated February 28, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State of Texas Uniform Grant Management Standards and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
February 28, 2019

CITY OF DENTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Grant I.D. Number	Federal CFDA Number	Total Expenditures	Passed Through to Subrecipients
Federal Awards				
U.S. Department of Housing and Urban Development				
Direct Awards:				
Community Development Block Grant	B-15-MC-48-0036	14.218	$ 251,626	$ -
Community Development Block Grant	B-16-MC-48-0036	14.218	148,290	3,200
Community Development Block Grant	B-17-MC-48-0036	14.218	287,791	124,539
Community Development Block Grant	B-18-MC-48-0036	14.218	48,155	-
Subtotal - CFDA #14.218			735,862	127,739
Home Investment Partnerships Program	M-13-MC-48-0223	14.239	73,302	-
Home Investment Partnerships Program	M-14-MC-48-0223	14.239	625	-
Home Investment Partnerships Program	M-15-MC-48-0223	14.239	56,235	-
Home Investment Partnerships Program	M-16-MC-48-0223	14.239	26,969	-
Home Investment Partnerships Program	M-17-MC-48-0223	14.239	346,803	34,458
Home Investment Partnerships Program	M-18-MC-48-0223	14.239	44	-
Subtotal - CFDA #14.239			503,978	34,458
Passed Through Texas Department of Housing and Community Affairs:				
2017-18 Emergency Solutions Grant	42170002813	14.231	506,879	506,879
Total U.S. Department of Housing and Urban Development			1,746,719	669,076
U.S. Department of the Interior				
Passed through Texas Historical Commission:				
Historic Preservation-Certified Local Government Travel Grant	TX-18035	15.904	1,939	-
Total U.S. Department of the Interior			1,939	-
U.S. Department of Justice				
Direct Awards:				
U.S. Marshals Violent Offenders Task Force	VOTF	16.000	25,663	-
Organized Crime Drug Enforcement Task Force	OCDETF	16.000	9,037	-
Equitable Sharing Agreement & Certification	TX610200	16.922	52,820	-
Total Direct Awards			87,520	-
Passed through International Association of Chiefs of Police:				
Domestic and Sexual Violence Initiative Grant	IACP-2018-7586-03	16.582	204,202	29,138
Total International Association of Chiefs of Police			204,202	29,138
Total U.S. Department of Justice			291,722	29,138
U.S. Department of Transportation				
Passed through Texas Department of Transportation:				
Evers Park Bridge & Trail (NW Denton Loop) Grant	0918-46-273	20.205	212,273	-
Traffic Signal Construction Grant	0134-09-063	20.205	34,805	-
Traffic Signal Construction Grant	0134-09-034	20.205	101,803	-
Traffic Signal Equipment Grant	2681-01-012	20.205	42,588	-
State and Community Highway Safety Grant	2018-DentonPD-S-IYG-0060	20.600	74,805	-
Total Texas Department of Transportation			466,274	-

CITY OF DENTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Grant I.D. Number	Federal CFDA Number	Expenditures	Passed Through to Subrecipients
Passed through Texas Parks and Wildlife Department:				
Clear Creek Natural Heritage Center - Davis Trailhead	N/A	20.219	$ 109,938	$ -
Total Texas Parks and Wildlife Department			109,938	-
Total U.S. Department of Transportation			576,212	-
National Endowment for the Humanities				
Passed through Texas State Library and Archives Commission:				
Interlibrary Loan Program (ILL)	LS-00-17-0044-17	45.310	32,149	-
Total National Endowment for the Humanities			32,149	-
U.S. Department of Health and Human Services				
Passed through Texas Health and Human Services Commission:				
Ambulance Services - Uncompensated Care Cost	00008301	93.778	805,058	-
Total U.S. Department of Health and Human Services			805,058	-
U.S. Department of Homeland Security				
Direct Awards:				
Staffing for Adequate Fire & Emergency Response Grant	EMW-2016-FH-00195	97.083	225,381	-
Passed through Texas A&M Engineering Extension Office:				
National Urban Search & Rescue Response System	47-100-769	97.025	138,415	-
Disaster Grants - Public Assistance, Hurricane Maria	N/A	97.036	27,033	-
Total Texas A&M Engineering Extension Office			165,448	-
Passed through City of Ocala, Florida:				
Disaster Grants - Public Assistance, Hurricane Irma	N/A	97.036	5,961	-
Passed through Texas Department of Public Safety:				
Emergency Management Performance Grant	18TX-EMPG-0122	97.042	40,977	-
2016 State Homeland Security Program	EMW-2016-SS-00056	97.067	130,000	-
2017 State Homeland Security Program	EMW-2017-SS-00005	97.067	96,962	-
2017 SHSP Ballistic Blankets	EMW-2017-SS-00005	97.067	3,000	-
2017 SHSP Night Vision	EMW-2017-SS-00005	97.067	14,171	-
Total Texas Department of Public Safety			285,110	-
Total U.S. Department of Homeland Security			681,900	-
Total Expenditures of Federal Awards			4,135,699	698,214

CITY OF DENTON, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Federal Grantor/ Pass-Through Grantor/ Program Title	Grant I.D. Number	Expenditures	Passed Through to Subrecipients
State Awards			
Texas Department of Transportation			
Traffic Signal Construction Grant	0134-09-063	$ 8,701	$ -
Airport Maintenance Grant	M1818DNTO	49,995	-
RTR - Mayhill Road From IH35 East to US 380	0918-46-246	14,365,455	-
RTR - Bonnie Brae Road - From IH35 East to US 377	0918-46-245	4,580,954	-
RTR - ITS Communication Trunk Lines	0918-46-244	185,010	-
RTR - McKinney Street (Formerly FM 426)	0918-46-298	1,336,309	-
Hickory Creek Road Project	0918-46-290	76,868	-
N TX Blvd Roundabout	0918-46-281	3,588	-
Total Texas Department of Transportation		20,606,880	-
Office of the Texas Attorney General			
Chapter 59 Asset Forfeitures	N/A	147,894	-
Total Office of the Texas Attorney General		147,894	-
Texas A&M Engineering Extension Office			
Urban Search and Rescue Response System	47-100-769	46,138	-
Total Texas A&M Engineering Extension Office		46,138	-
Texas Intrastate Fire Mutual Aid System by Texas A&M			
Forest Service			
Command & Control Training Tuition	1990	1,500	-
Aerial Apparatus Training Tuition	1990	1,875	-
Strategy Tactics Training Tuition	1990	2,000	-
Vehicle Rescue Tech Training Tuition	1990	3,500	-
Swift Water Rescue Training Tuition	1990	2,400	-
Texas Wild Fire Assistance Grant	1990	129,761	-
Total Texas Intrastate Fire Mutual Aid System by Texas A&M Forest Service		141,036	-
Texas Comptroller of Public Accounts			
Law Enforcement Officer Standards & Education - Peace Officer Allocation	N/A	1,202	-
Law Enforcement Officer Standards & Education	N/A	17,151	-
Reimbursement for Sexual Assault Examinations	N/A	47,872	-
Total Texas Comptroller of Public Accounts		66,225	-
Total Expenditures of State Awards		21,008,173	-
Total Federal and State Financial Assistance Expended		$ 25,143,872	$ 698,214

CITY OF DENTON, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

1. GENERAL

The accompanying schedule of expenditures of federal and state awards presents the activity of all applicable federal and state awards of the City of Denton, Texas. The City's reporting entity is defined in Note I to the City's basic financial statements. Federal and state awards received directly from federal and state agencies as well as federal and state awards passed through other government agencies are included in the respective schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal and state awards is presented using modified accrual basis of accounting, which is described in Note I to the City's basic financial statements.

3. RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Grant expenditure reports as of September 30, 2018, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

4. NEGATIVE AMOUNTS

Pass-through amounts that were recorded as expenditures in prior years have been refunded to the City by subrecipients. As a result of this, the affected grants reflect a negative balance on the Schedule of Expenditures of Federal and State Awards.

5. INDIRECT COSTS

The City has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, Section 414.

CITY OF DENTON, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Section I: Summary of the Auditors' Results

Financial Statements:

An unmodified opinion was issued on the financial statements.

Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered a material weakness?	None reported
Noncompliance material to financial statements noted?	No

Federal and State Awards:

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered a material weakness?	None reported
Type of auditors' report issued on compliance for major federal and state programs	Unmodified
Any audit findings disclosed that were required to be reported in accordance with 2 CFR 200.516(a) or the Uniform Grant Management Standards?	None

Identification of major federal and state programs:

Federal:

20.205	Highway Planning and Construction
93.778	Ambulance Services - Uncompensated Care Cost

State:

	RTR Transportation Projects

The dollar threshold used to distinguish between type A and type B federal programs.	$750,000
The dollar threshold used to distinguish between type A and type B state programs.	$630,245
Low risk auditee statement	The City was classified as a low-risk auditee in the context of 2 CFR 200 and in the context of the state of Texas Uniform Grant Management Standards.

CITY OF DENTON, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2018

Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*

None

Findings and Questioned Costs for Federal and State Awards

None

CITY OF DENTON
215 E. MCKINNEY • DENTON, TEXAS 76201 • (940) 349-8200 • FAX (940) 349-7206

SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES

FOR THE YEAR ENDED SEPTEMBER 30, 2018

None